Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

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3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

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II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

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4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

~~Records~~.
~~J. A. PRORE—10-5-33~~.

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting th cultivation of cashew trees on waste lands now yielding no income and providing employmen to a large number of persons and thus affording some relief in these days of economic depression and will further provide a new source of revenue by diverting to Government the profits goin to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defea the object of the project.

IV

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2 dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr .W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until " some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System : and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote : " I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21–14–0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. BRITO,
Secretary.

ENCLOSURE A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

ENCLOSURE C.

	RS.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	508	13	0

Enclosure

from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:-

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

hat all wastage allowances will be on the same scale as present allowances o Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 5,000 proof gallons

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.

In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

Order—No. 673, Revenue, dated 4th April 1934.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under "6. c. Excise—Distilleries—Transferred."

(By order of the Government, Ministry of Education and Excise)

J. A. Thorne,
Secretary to Government.

To the Commissioner of Excise.
" Accountant-General, through Finance.
" Finance Department.

NOTES CONNECTED WITH G.O. No. 673, REVENUE, DATED 4TH APRIL 1934.

[SUBJECT.—*Excise—Budget*—1933-34—*Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March* 1933.]

Extract from the speech of Mr. M. S. Sreshta—On Manufacture of liquor from cashew fruits in South Kanara.

"To-day I am concerned only with one industry which ought to give a quota of income to the State. There has recently been a great impetus to the cultivation of cashew tree owing to the export of cashew-nuts to America. The local demand for cashew-nut also has greatly increased. Attempts are being made in certain districts to cultivate cashew trees on a very large scale. At present, they grow wild, and attempts are now being made to grow the cashew in a systematic way. The result will be the number of cashew fruits available in the market will be considerably increased. Whereas the nuts are eaten or stored and exported, the fruits will be thrown away. Only very little of the fruits are eaten. In my opinion, these cashew fruits can be utilized for the manufacture of liquor (hear, hear). There is an ironical cheer on the other side, the implication of which is that if liquor is manufactured from cashew fruit there will be more consumption of liquor in the country. That is not so. It might interest my hon. Friends over there to hear that we are importing Rs. 3½ crores worth of liquor annually from Europe. Why should there be so much drain from the country? Why can you not diminish the drain by making the liquor in the country itself? The result of utilizing the cashew fruit for the manufacture of liquor will be not to increase drunkenness but to decrease the drain from the country. I trust that Hon'ble Members who are in favour of prohibition will look at the question from that point of view, and see that it is in the interest of the country that the waste product I am mentioning is utilized in this way. In Ceylon, an attempt is now being made to make wine from toddy. The Legislative Council there was practically unanimous in its demand that fermented wines and sparkling wines should be made from toddy, and the matter is being examined there. We are importing every year, Rs. 12½ lacks worth of wine from outside. This amount can be kept in the country, if the manufacture of wine can be brought about in this country. These are points which I would advocate and ask the Hon'ble Minister for Excise to consider carefully. I think that if distilleries are established for the manufacture of liquor from cashew fruits and the manufacture of wine from fermented toddy, a great deal of income will come to the State, and the object of our agitation to lessen the land tax could be achieved earlier than we have been hoping."

Extract of Hon'ble Minister 3's reply on the subject of manufacturing liquor from cashew fruits in South Kanara.

"Just a word to my Hon'ble Friend, Mr. Sreshta, who has been attacked by my Hon'ble Friend, Mr. Yakub Hasan, for some remarks that he has made. That is a matter between them both. With regard to some suggestions that he has made I may tell him that the question of manufacturing liquor from cashew fruit is being examined and from the materials and observations that he has made I do not think it would be impossible to evolve some schemes as he suggests. I, at the present moment, only say without giving any undertaking in respect of that matter that the question will be fully considered."

Please see the extract from the Legislative Council Proceedings containing the discussions relating to the budget Demand II—Excise. The Hon'ble Minister 3 in his speech has promised to consider the following point which individual Members of the Legislative Council referred to in the course of the debate :—

* * * * * *

Manufacture of liquor from cashew fruits.—It will be observed from paragraph 2 of notes at page 17 and Secretary's notes marked **N** at pages 18 and 24 of G.O. No. 93, Revenue, dated 16th January 1933, that this question was considered previously and it was not pursued further as the Commissioner of Excise was of opinion in 1927 that if arrack was allowed to be manufactured out of cashew fruits there would be a considerable fall in revenue and increase in illicit distillation, as it would be very difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices. In connexion with a budget motion by Mr. Sreshta during the last budget session on this subject the Secretary wrote as follows :—

"I have seen the Commissioner and discussed this with him. He says there is nothing in the idea as regards industrial spirit. But the distillation of *potable spirit* from

cashew is another matter. He agrees with me that there is nothing in the arg that the establishment of a cashew distillery would encourage illicit distillation. Illicit distillation from cashew is rampant now in South Kanara: and the effect of providing licit liquor would be rather to discourage it than to encourage it. He is enquiring into the matter further and thinks it may be quite possible to frame a scheme." For orders whether the Commissioner of Excise may be asked to submit detailed proposals on the subject for the consideration of the Government.

P. K. GNANASUNDARA MUDALIYAR—8-5-33.

J. A. THORNE—9-5-33.

Yes.

S. K[UMARASWAMI REDDIYAR]—10-5-33.

[Excise—South Kanara—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association.]

From Mr. A. L. Pinto, dated 12th May 1933.

Secretary's remarks on current file.—Records.

J.A.T.—16-5-33.

With regard to certain points regarding the manufacture of arrack out of cashew fruits referred to by Mr. Sreshta in his speech in the Legislative Council in connexion with the debate on Demand II—Excise, a draft official memorandum to the Commissioner asking him to devise a scheme for the manufacture of liquor from cashew fruits was put up and the file was submitted to Secretary on 17th May 1933. This may be added on to the main file. For orders whether a formal acknowledgment should be sent to the Honorary Secretary, Catholic Association, South Kanara.

A

D.T.—18-5-33.

After the draft referred to at **A** above issues, the resolution in this file may be sent to the Commissioner of Excise in continuation for information.

P.K.G.—19-5-33.

J.A.T.—22-5-33.

A draft memorandum is submitted for approval.

D.T.—23-5-33. P.K.G.—23-5-33.

[Issued as Memorandum No. 1752/33-1, dated 23rd May 1933, to Commissioner of Excise.]

From the Commissioner of Excise, dated 31st August 1933, *C.R. No. 5609-Abk.*

In the Official Memorandum No. 1453-D/33-2, dated 22nd May 1933, the Commissioner of Excise was told that the Government's information was that illicit distillation of arrack from cashew fruits was actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. He was accordingly requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government. This reference was made with reference to a promise made by Hon'ble the Third Minister in the course of the budget debate in March 1933 to examine the possibility of distilling arrack from cashew fruits. The Commissioner has now submitted a detailed report on the subject.

2. The Commissioner of Excise admits that there are strong grounds for giving South Kanara district the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack and these grounds are given in paragraph 5 of his report. In order to meet the demand for cashew arrack the Commissioner considers that it is worth while to make an experiment with a view to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. He suggests that the arrack so produced should be on sale under precisely the same conditions as molasses arrack, i.e., as a country liquor sold in the arrack shops which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. He adds that the experiment is necessary to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

3. The Commissioner has had a small quantity of cashew fruits distilled on a laboratory scale in the Board's laboratory and sent the arrack to the Excise Inspector, Mangalore, with instruction to get it tried by some connoisseurs of this beverage. As the experiment appeared to be successful, the Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. The conditions subject to which Messrs. Parry & Co., have agreed to the proposals are contained in their letter, dated 30th August 1933. As for the financial effect of the proposal, the Commissioner believes that the experiment can be made perhaps at a profit, most probably at no cost to Government and that the initial expenditure involved, viz., Rs. 3,200 under the scheme will be recouped by the duty recovered.

The points for orders are—

(1) whether Messrs Parry & Co. should be asked to distil cashew arrack during the ensuing season subject to the conditions mentioned in their letter, dated 30th August 1933, and paragraphs 10-11 of Commissioner's reference dated 31st August 1933; and

(2) whether, in case the scheme proves successful, the Chowghat distillery should be enlarged with a view to a larger output or whether a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold.

The latter question can be settled after the result of the experiment proposed in item (1) above is known. The file may go to Finance for remarks on proposal (1). This proposal which is estimated to cost Rs. 3,200 need not, it seems, be treated as a Part II scheme and placed before the Finance Committee. (Messrs. Parry & Co., require an answer, if possible, by the end of September or at the latest by the end of October in order that, if Government approve the scheme, they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then sufficient coconut toddy arrack for their probable requirements.)

D. T.—9-9-33.

The immediate cost to Government is about Rs. 3,200 for equipment and alterations required at the Chowghat distillery. All other expenses connected with the experiment will be borne by Messrs. Parry & Co. If the experiment is successful, the excise duty accruing to Government will be between Rs. 44,200 and Rs. 88,400. If it proves to be a failure, the actual cost and expenses of manufacture incurred by Messrs. Parry & Co., are to be refunded to them by Government. The Commissioners' report shows that the experiment is well worth a trial. Messrs. Parry & Co. want an answer before 30th September or by 31st October at the latest. The remarks of Finance may be invited before circulation.

P. K. GNANASUNDARA MUDALIYAR—11-9-33.

The Commissioner recants the view expressed by his predecessor (Mr. Moore) in 1927 - top of page 19 of G.O. No. 2028, Revenue, dated 15th October 1927. I think Mr. Thomas is right.

2. What the South Kanara folk want is a cashew distillery in the district. But clearly the existing distillery at Chowghat in Malabar is the right place for the experiment. It is within my own knowledge that cashew grows profusely in the neighbourhood: and the distillery can be used for the purpose at trifling extra cost.

3. The reports of Mangalore Connoisseurs on the laboratory sample are enthusiastic.

4. The figure of Rs. 88,393 is arrived at as follows :—

The liquor being 30° under proof, the duty is Rs. 6-2-0 per 70 parts. This gives Rs. 8.84 nearly for 100 parts, i.e., one gallon. Hence Rs. 88,393 for 10,000 gallons.

5. The proposals may be accepted. If they are to be treated as a Part II scheme and placed before the Finance Committee the experiment cannot apparently, be conducted this year. Finance will no doubt advice as to the procedure.

J. A. THORNE—11-9-33.

FINANCE (EXPENDITURE) DEPARTMENT.

During the last budget discussions on the 'Excise' demand the Hon'ble the Third Minister undertook to investigate the question of manufacturing liquor from cashew fruits on the west coast. It is now proposed, as an experimental measure, to authorize Messrs. Parry & Co. the lessees of the Government distillery, Chowghat, to distil cashew arrack during the ensuing season and to issue it for sale in Mangalore town and taluk. It is

considered that the effect of permitting the manufacture of licit liquor from cashew fruits might discourage illicit distillation now being carried on on a large scale in the South Kanara district.

2. The conditions subject to which the company have agreed to undertake the experiment are given in their letter, dated 30th August 1933.

The immediate cost to Government is Rs. 3,200 for equipment and alterations required for temporarily adapting the Chowghat distillery for the manufacture of cashew arrack. The other expenses connected with the distillation will be by Messrs. Parry & Co.

It is anticipated that if the experiment is successful there will be an additional revenue to Government from excise duty, ranging between Rs. 44,200 and Rs. 88,400 per annum, the actual amount depending on the quantity of liquor manufactured. If, however, the experiment proves a failure, Messrs. Parry & Co. will have to be compensated for the loss incurred by them.

Submitted that the proposals may be accepted.

3. As the proposal involves an expenditure the like of which had not been incurred in the past, it constitutes a ' new service ' requiring the vote of the Legislative Council. It will ordinarily have to be treated as a Part II scheme for 1934–35. If this is done, the experiment can be made only in March, April and May 1935. In view of the likely increase in revenue to Government, Finance may advise that a supplementary grant may be obtained so that the actual distillation may commence in March 1934. The demand need be only for a token sum of Rs. 100 as it should be possible to meet the small expenditure of Rs. 3,200 from the sanctioned grant for the Excise department.

V.V.—20–9–33. C. A. SUNDARAM AYYAR—20–9–33.

C-4 may see.

H. M. HOOD—21–9–33.

REVENUE DEPARTMENT.

Submitted for orders.

P. K. GNANASUNDARA MUDALIYAR—21–9–33.

J. A. THORNE—22–9–33.

The proposals seem all right and are accepted.

I should prefer to have them put through in the normal course as a Part II scheme. A supplemental demand in sure to provoke a good deal of opposition in the Legislative Council and I am not sure if it is worth while to raise all that storm.

S. K[UMARASWAMI REDDIYAR]—22–9–33.

Very well. But how is licit cashew arrack to be distinguished from illicit? This was Mr. Moore's chief point, and I do not see any proposals for meeting it.

H. G. S[TOKES]—23–9–33.

Draft.

J.A.T.—23–9–33.

A draft official memorandum to the Commissioner of Excise is submitted for approval.

P.T.—26–9–33. D.T.—26–9–33. P.K.G.—26–9–33.

J.A.T.—26–9–33.

S. K[UMARASWAMI REDDIYAR]—26–9–33.

Issue.

J.A.T.—26–9–33.

[Issued as Official Memorandum No. 2784-D/33-3, dated 28th September 1933.]

From the Commissioner of Excise, dated 4th October 1933, No. C.R. 5609-Abk.

Please see Hon'ble Member C-4's note, dated 23rd September 1933, official memorandum to Commissioner, dated 28th September 1933, and the Commissioner's reply, dated 4th October 1933.

2. In the circumstances reported by the Commissioner of Excise it is for orders whether his view that there will be no special difficulty in distinguishing licit from illicit liquor will be accepted.

There will be no more difficulty, apparently, than there is now in distinguishing licit arrack from illicit arrack distilled from the same material as licit arrack.

J.A.T.—12–10–33.

3. As presumed by the Commissioner of Excise in paragraph 2 of his reference dated 4th October 1933, the expenditure necessary for adapting Chowghat distillery for manufacture of cashew arrack can be incurred only after April 1934, and that the work of distillation can be started only from March 1935.

4. A draft note for the Finance Committee for considering the proposal as a Part II scheme for 1934-35 is put up. It may be sent to the Finance Department for adding the note.

5. It appears that a provision of Rs. 3,200 should be made under 'Petty Construction and Repairs- Voted' to be opened under "6. c. Excise- Distilleries—Transferred—D. Other Charges." Finance Department may be requested to advise.

P.T. -10-10-33. D.T.—10-10-33. P. K. GNANASUNDARA MUDALIYAR—11-10-33.

J. A. THORNE—12-10-33.

FINANCE (B.E. IV) DEPARTMENT.

Paragraph 5 of the Revenue Department's notes above.—The details of expenditure for Rs. 3,200 are given in Enclosure C. It will be seen therefrom that a large portion of the amount will be spent on the purchase of materials and on contingencies. It is therefore submitted that the whole sum of Rs. 3,200 may be shown under the detailed head 'Supplies and Services' under "6. c. Excise—Distilleries—Transferred—D. Other Charges".

Subject to above remarks the draft note for the Finance Committee may be accepted and the following added as note by this department :—

"The proposal may be placed before the Finance Committee as a Part II scheme for 1934-35."

A.K. 13-10-33. C. A. SUNDARAM AYYAR—13-10-33.

H. M. HOOD—16-10-33.

REVENUE DEPARTMENT.

The amendment relating to the detailed budget head to which the expenditure of Rs. 3,200 should be debited and the addition to the note suggested in the Finance Department's note, dated 16th October 1933, have been made in the note for the Finance Committee. The note is submitted for approval.

D.T. 19-10-33. P.K.G.—20-10-33.

J.A.T.—20-10-33.

S. K[UMARASWAMI REDDIYAR]—22-10-33.

H. G. S[TOKES]—23-10-33.

Issue.

J.A.T.—23-10-33.

REVENUE DEPARTMENT.

NOTE FOR THE FINANCE COMMITTEE.

PART II SCHEME FOR 1934-35.

[SUBJECT. *Cashew arrack—South Kanara—Experimental distillation and sale—Proposals.*]

Summary.

Head of account.	Item of expenditure.	Ultimate cost.	Cost during 1934-35.
		Rs.	Rs.
Excise- Distilleries- Transferred- D. Other charges- Supplies and Services- Voted.	Expenditure in Chowghat distillery for manufacture of cashew arrack on an experimental basis.	3,200	3,200

NOTE BY THE REVENUE DEPARTMENT.

Cashew arrack distilled from the fruit of the cashew tree which grows in profusion in the Mangalore and Kasaragod taluks of the South Kanara district and also in other areas of the West Coast districts is the traditional drink of a section of the public in the South Kanara district. This arrack is consumed mainly in Mangalore, Kasaragod and Karkal taluks; and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed

that complete success has attended the preventive activities of the Excise department. As cashew arrack is preferred to any other drink in these areas, and as it has proved impossible to prevent its illicit manufacture, the question of legalising its manufacture was considered in 1891, 1900–01 and in 1915. In 1915, the Board of Revenue was favourably inclined towards the proposal, and Messrs. Parry & Co., the contract suppliers of molasses arrack to the South Kanara district, were asked to undertake the experimental distillation of cashew arrack at the Government distillery at Chowghat. But effect could not be given to this suggestion as it was impossible in war time to get the copper required for a still, and the proposal was dropped for a year and was not subsequently revived. Recently some members of the Legislative Council have urged the desirability of supplying licit cashew arrack, and during the last budget debate the Government stated that the matter would be considered. The Commissioner of Excise to whom the question was referred recommends the supply of licit cashew arrack in the South Kanara district where a section of the population strongly desire it, believing that it has peculiar medicinal properties. The arrack is widely used for women before, at, and after child-birth. The best efforts of the Excise department have been unavailing to prevent or even reduce materially the systematic illicit distillation of cashew arrack. Detection of cases of illicit possession and illicit distillation of this arrack covers only a small percentage of such cases. In a densely wooded district like South Kanara cut up by numerous backwaters and navigable rivers it is very easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who are supplying a public requirement. Cashew arrack can be obtained at almost any period of the year, though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner of Excise for these reasons considers that from the revenue point of view much legitimate revenue must have been lost by the failure to give the South Kanara public the drink that they want and will have, and that from the moral point of view it is bad that men, law abiding in every other respect, should be impelled to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worth while to make an experiment by which licit cashew arrack would be made obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co. It would be sold under precisely the same conditions as molasses arrack, that is, as a country liquor, in arrack shops, which will sell both kinds of arrack. The object of the proposed experiment is to test whether there is a legitimate demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant, and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

The Commissioner had a small quantity of cashew fruits distilled in his laboratory and sent the arrack to the Excise Inspector, Mangalore, with instructions to get it tried by some connoisseurs of this beverage. The reports of these connoisseurs on the laboratory sample are favourable.

The Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. Messrs. Parry & Co. have agreed to the proposal subject to certain conditions, the more important of them being—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company will, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

If the experiment is successful, the excise duty accruing to Government should be between Rs. 44,200 and Rs. 88,400. The Commissioner of Excise believes that the experiment can be made perhaps at a profit, most probably at no cost to the Government, and that the initial expenditure involved, viz., Rs. 3,200, under the scheme will be recouped by the duty recovered. It is proposed to accept the Commissioner's recommendation and to provide funds for the purpose in the Budget Estimate for 1934–35.

J. A. THORNE—12–10–33.

NOTE BY THE FINANCE DEPARTMENT.

The proposal may be placed before the Finance Committee as a Part II Scheme for 1934–35.

H. M. HOOD– 16–10–33.

The note for the Finance Committee has been printed. Thirty copies of the note may be sent to the Finance Department. A draft u.o. note is submitted for approval.

P.T.—31–10–33. D.T.—31–10–33. P. K. GNANASUNDARA MUDALIYAR—1–11–33.

FINANCE (BUDGET-GENERAL) DEPARTMENT.

U.O. Note No. 35928 (*B.G.*)-16, *dated* 11*th January* 1934.

(Meeting of the Finance Committee—10th January 1934—Recommendations.—*Reference.*—U.O. Note No. 35928-B.G.-7, dated 26th December 1933.

At the meeting held on the 10th January 1934, the Finance Committee considered the Part II schemes for 1934-35 relating to the Development Department (except Forest and Veterinary schemes considered on the 8th January 1934) and the Revenue Department and made the following recommendations :—

* * * * * *

REVENUE DEPARTMENT.

6. *Excise.*—Item (1), (2)and (4) to (6) were placed in class II. Item (3) was placed in class III.

	Ultimate cost.	Cost during 1934-35.
6 Experimental distillation of cashew arrack for sale in the South Kanara district	3,200	3,200

S. A. VENKATARAMAN.
Deputy Secretary.

Please see the recommendation of the Finance Committee. They have placed the * scheme in class II (schemes that are very urgently necessary). Necessary provision for the scheme will be made by the Finance Department in the budget estimate for 1934-35. The classification of the Finance Committee may be accepted in this Department. (Orders sanctioning the scheme will be issued as soon as the budget has been voted by the Legislative Council.)

* Experimental distillation of cashew arrack for sale in the South Kanara district.

P.T.—15–1–34. D.T.—15–1–34. P.K.G.—16–1–34.

An unexpected success.

J.A.T.—16–1–34.

Possibly the result of Mr. Shreshta's lobbying.

S. K[UMARASWAMI REDDIYAR]—17–1–34.

16
8

NOTES TO G.O. No. 673, REVENUE, 4TH APRIL 1934

COUNCIL OFFICE.

Voting of demands for grants, 1934–35.

The undermentioned departments of the Secretariat may be informed that the following demands for grants were carried by the Council on the dates noted against each :—

Demand No,	Amount of appropriation.	Amount reduced.	Date
II Excise-Transferred	30,82,000	Nil	10th March 1934

* * * * * *

D. K. V. RAGHAVA VARMA—15-3-34.

REVENUE DEPARTMENT.

The excise budget was noted by the Legislative Council without a cut on 10th March 1934.

2. The proposals of the Commissioner of Excise that should be sanctioned by the Government are briefly—

(1) that Messrs. Parry & Co. who are the contract suppliers of molasses arrack for South Kanara should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore;

(2) that the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits estimated at Rs. 3,200 should be borne by the Government; all other expenses in connexion with the experiment being borne by the company;

(3) that in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company should, if required, sell all temporary equipment on behalf of the Government for the best price obtainable.

3. The Commissioner has already pointed out that the distillation of cashew arrack cannot be started this season, i.e., March, April and May 1934 and if sanctioned by the Government has to be started only from March 1935.

4. A draft order sanctioning the Commissioner's proposals is submitted for approv It may be sent to the Finance Department for acceptance.

P.T.—20-3-34. D.T.—21-3-34. P. K. GNANASUNDARA MUDALIYAR—22-3-34.

J. A. THORNE—22-3-34.

INANCE (EXPENDITURE) DEPARTMENT.

The draft ord oe accepted.

T. A. SRINIVASARAGHAVA AYYANGAR—27-3-34.

C. A. SUNDARAM AYYAR—27-3-34.

H. M. HOOD—28-3-34.

REVENUE DEPARTMENT.

The draft may issue.

P.K.G.—29-3-34.

J.A.T.—29-3-34.

S. K[UMARASWAMI REDDIYAR]—31-3-34.

Issue.

J.A.T.—4-4-3

[G.O. No. 673, Revenue, dated 4th April 1934.]

Copy of letter from the Inspector of Excise, Mangalore circle, Mangalore, to the Secretary to the Commissioner of Excise, Chepauk, Madras, R.C.R.No.703/33, dated 4-8-33.

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Subject:- Cashew arrack - sample -

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Reference:- Your reference dated 18-7-33.

I enclosure herewith the certificates, about the cashew arrack received from the following* gentlemen who have tasted the sample liquor forwarded.

They are all men of status who can be considered authorities on liquor- especially of cashew liquor. I am positive that at least one of them has more than a theoretical knowledge of cashew distillation itself.

The ~~small~~ smell of the sample received is more that of rotten cashew fruits than of fresh ripe fruits which is generally the smell of better class of I.D.liquor.

*1.Rev.Father E.L.Mathias,Chancellor,Bishops's House,Mangalore.
2.Rev.Father L.S.D.Souza,Parish Priest, Amtur.
3.Jerome A.Saldanha Esq.,B.A.,L.L.B. (Ex.M.L.C.)
4.J.L.Saldhana Esq.,Retd.Asst.Presidency Post Master,Bombay.
5.J.M.Sequeira Esq.,M.A.,B.L.,Vakil.
6.S.N.Saldanha Esq.,Retd. Deputy Collector.

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Kodiabail, Mangalore,
1st August 1933.

From
Rev.Father E.L.Mathias,
Chancellor,Bishop's House,Mangalore.

The sample of Government Cashew Liquor which you kindly showed me for testimonial is a good and pure stuff with a flavoury taste and in quality and purity, compares favourably with superior European Liquors. It is far superior to the ordinary stuff sold in depots and bound to be appreciated for its medicinal qualities.

Sd. E.L. Mathias,
Chancellor.

Court Road, Mangalore,
3-8-33.

From
1.Jerome A.Saldanha Esq.,
B.A.,L.L.B.(Advocate) Ex.M.L.C.
2x 2.Joachim M.Sequeira,Esq.,
M.A.,B.L.,(Vakil.

3.Joachim L.Saldanha,Esq.,
Retired Assistant Presidency Post Master,Bombay.

We, the undersigned are glad to certify that the cashew liquor given to us as a sample by the Excise Inspector Rao Sahib C.Raghavan, is of a superior quality, better and clearer than that distilled generally in this district Having regard to its low strength (U.P.29) it is found pleasant and stimulating in its effects. We have found that it was evidently distilled some days after the cashew fruits had been plucked, longer than desirable for production of good liquor (The usual period being four days).

We may assure Government that cashew liquor of medium strength distilled in a scientific manner is more pleasant to taste, more exhilarating and medically more effective, than any other Indian or foreign liquor of which we have a sufficiently good dea nd we do not hesitate to assert that a good peg of superior cashew Liquor will stand comparison with the best Brandy like Exshaw No.1.

Sd. 1.Jerome A.Saldanha, Ex.M.L.C.
2.Joachim M.Sequeira,Vakil.
3.Joachim L.Saldanha,Retd.Asst.Presidency
Post Master,G.P.O.Bombay.

From
Rev.Father
L.S.D'Souza,
Parish Priest,Amtur

I have tasted the samples of cashew arrack brought by the Excise Inspector and said to have been made by the Board's Laboratory. It is really very much superior to Parry's arrack and Goa Cashew Liquor. It would compare very favourably with English Liquors which I have tasted I think this arrack will supply a heartfelt necessity in South Kanara

Sd. L.S.D. Souza,
Parish Priest,Amtur

From
S.N.Saldanha Esq
Retd.Deputy Collector,Mangalore.

I have tasted the laboratory sample of cashew liquor shown to me by Mr.Raghavan. It makes a more pleasant drink than the molasses and Goa cashew)liquor) obtainable from the tavern shops. Its medicinal properties are highly valued. I feel sure that cashew Liquor supplied at moderate price will meet a much felt need in this district apart from the obvious advantage of developing a local industry. If the disagreeable smell of the cashew can be removed the liquor would probably rank with

the best of European Liquors.

Sd. S.N. Saldanha,
Retd. Deputy Collector.

DRAFT FOR APPROVAL.

	Date.	Initials.
When received for fair copying ..		
When copied ..		
When examined..		
When signed ..		
When despatched.		

SUBJECT:— 54/4/4 Excise - Cashew assault South Kanara - experimental distillation and sale - Commercial proposals - Sanctioned

READ AGAIN _____, dated _____ 19____.

" " _____ " _____ 19____.

READ *ALSO*:—

No. 2284/D From the Commr of Excise, C.R. No. 5609-M/32 dated 31.8.1933.

" _____ " do " " 4.10.1933.

" _____ " _____ " " 19____.

Order / Resolution ~~Ms.~~ / ~~Rout.~~ No. 673 dated 4.4.1934. Prem 21-11

Dft in MS 4.4.34 Rest copy

In his reference read above the Commr of Excise stated that an attempt should be made to supply licit cashew assault in the South Kanara dt where a section of the population strongly desire it, ~~because the U.P. has peculiar medicinal properties~~ and he suggested that it is worthwhile to make a experiment by which licit cashew assault would be made obtainable, ~~both the same readiness and to start at~~ at once the same possible

is the first Molasses Arack
now supplied to Messrs Parry
& Co: — the object of the Examination
being to test whether there
is a real demand for
Cashew Arack in the Mangalore
Talook & to understood the
demand is greatest and most
constant and to test the Correctness
of the Cl that Cashew Arack
is generally required by the
public more for its inherent
qualities than for its cheapness
as an illicitly distilled and
therefore untaxed article of
consumption the Commr
has accordingly proposed
that Messrs Parry & Co: who
are the Contract Distillers
notices
Arack for South Canara
& Coorg be asked to distill a
Cashew
Much Arack as they can
while the season last
~~the season (March, April~~
~~may be allowed)~~ and supply
for Sale in the Arack Shops
of Mangalore Town and Talook
through their bonded ware

house at Mangalore and ~~was~~ Company agreed
stated that the ~~Co~~ ~~have agreed~~
to the proposal subject to certain conditions, the more impor
of them being: -

(1) the cost of equipment alterations necessary for adapti the Chowghat distillery for the purpose of distilling the arrack from cashew fruits, estimated at Rs 3200/-, should be borne by the Govt; all the expenses in connection with the equip ment being borne by Messrs Parry & Co; and

2) in the event of the arrack becoming unsaleable for any reason beyond the control of the Company the actual cost and expens of manufacture should be refun by the Company to the Govt. and the Co would, if required, sell any temporary equipment on behal of the Govt. for the best price obtainable.

The proposals of the Commissioner are approved. The Govt is requested to

Take necessary steps to

~~Use~~ treat the dilution of

the Carbon dioxide is started

as the results season. Le Mesh

Tonic acid Mar ~~to~~ & mal-

lic experiment is given a trial as per

the experiment YB

SS SLIP.

Secrt. II-22—2,006—26-11-31.

FERENCE. URGENT (*a*

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India Office					
Govt. of India ..... Dept.					
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[P.T.O.

TO PRESS, MADRAS. OOTY

Please send proof in duplicate. The papers have been carefully edited.

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As the matter is clear manuscript and has been carefully edited, (*b*) proof need not be sent. Please print and supply number of copies as indicated.

er usual interval.

Sectt. II-52—1,000—11-10-33.

Revenue. **Department.**

Routine notes [which are not to be (*a*) sent out of the office or (*b*) included in the originals or proceedings unless the notes are specially marked for retention or (*c*) printed].

Subject of file.

Lo 673 Rev 44354.

Excise - Cashew kernels. South Kanara. Experimental distillation and sale - Commissioner to be authorised.

Yo As

The Lo has been issued in MS to all the addressees — It may now be print The S & P. may be asked to furnish 396 of the Lo for distribution as shown below: —

Sectt. Record	16
Comm. of Excise	10
Finance.	3
Circulation	9
Stock file	1
	39

Sanction copies of the rules may also be furnished

11.4.34

11.4.34

12/4

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

* * * * * *

II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

* * * * * *

4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

~~Records.~~

~~J. A. THORNE—16-5-33.~~

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

IV

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 193 C.R. No. 5609-Abk.

E. F. Thomas, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr .W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until " some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System : and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote : " I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21-14-0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

* Not printed.

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. BRITO,
Secretary.

ENCLOSURE A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

ENCLOSURE C.

	RS.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

ENCLOSURE D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

at all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.

In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., c.i.e., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under "6. c. Excise—Distilleries—Transferred."

(By order of the Government, Ministry of Education and Excise)

J. A. THORNE,
Secretary to Government.

To the Commissioner of Excise.
" Accountant-General, through Finance.
" Finance Department.

NOTES CONNECTED WITH G.O. No. 673, REVENUE, DATED 4TH APRIL 1934.

[SUBJECT.—*Excise—Budget*—1933-34—*Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.*]

Extract from the speech of Mr. M. S. Sreshta—On Manufacture of liquor from cashew fruits in South Kanara.

"To-day I am concerned only with one industry which ought to give a quota of income to the State. There has recently been a great impetus to the cultivation of cashew tree owing to the export of cashew-nuts to America. The local demand for cashew-nut also has greatly increased. Attempts are being made in certain districts to cultivate cashew trees on a very large scale. At present, they grow wild, and attempts are now being made to grow the cashew in a systematic way. The result will be the number of cashew fruits available in the market will be considerably increased. Whereas the nuts are eaten or stored and exported, the fruits will be thrown away. Only very little of the fruits are eaten. In my opinion, these cashew fruits can be utilized for the manufacture of liquor (hear, hear). There is an ironical cheer on the other side, the implication of which is that if liquor is manufactured from cashew fruit there will be more consumption of liquor in the country. That is not so. It might interest my hon. Friends over there to hear that we are importing Rs. 3½ crores worth of liquor annually from Europe. Why should there be so much drain from the country? Why can you not diminish the drain by manufacturing liquor in the country itself? The result of utilizing the cashew fruit for the manufacture of liquor will be not to increase drunkenness but to decrease the drain from the country. I trust that Hon'ble Members who are in favour of prohibition will look at the question from that point of view, and see that it is in the interest of the country that the waste product I am mentioning is utilized in this way. In Ceylon, an attempt is now being made to make wine from toddy. The Legislative Council there was practically unanimous in its demand that fermented wines and sparkling wines should be made from toddy, and the matter is being examined there. We are importing every year, Rs. 12½ lakhs worth of wine from outside. This amount can be kept in the country, if the manufacture of wine can be brought about in this country. These are points which I would advocate and ask the Hon'ble Minister for Excise to consider carefully. I think that if distilleries are established for the manufacture of liquor from cashew fruits and the manufacture of wine from fermented toddy, a great deal of income will come to the State, and the object of our agitation to lessen the land tax could be achieved earlier than we have been hoping."

Extract of Hon'ble Minister 3's reply on the subject of manufacturing liquor from cashew fruits in South Kanara.

"Just a word to my Hon'ble Friend, Mr. Sreshta, who has been attacked by my Hon'ble Friend, Mr. Yadava Hegde, for some remarks that he has made. That is a matter between them both. With regard to some suggestions that he has made I may tell him that the question of manufacturing liquor from cashew fruit is being examined and from the materials and observations that he has made I do not think it would be impossible to evolve some schemes as he suggests. I, at the present moment, only say without giving any undertaking in respect of that matter that the question will be fully considered."

Please see the extract from the Legislative Council Proceedings containing the discussions relating to the budget Demand II—Excise. The Hon'ble Minister 3 in his speech has promised to consider the following point which individual Members of the Legislative Council referred to in the course of the debate :—

* * * * * *

Manufacture of liquor from cashew fruits.—It will be observed from paragraph 2 of notes at page 17 and Secretary's notes marked **N** at pages 18 and 21 of G.O. No. 93, Revenue, dated 16th January 1933, that this question was considered previously and it was not pursued further as the Commissioner of Excise was of opinion in 1927 that if arrack was allowed to be manufactured out of cashew fruits there would be a considerable fall in revenue and increase in illicit distillation, as it would be very difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices. In connexion with a budget motion by Mr. Sreshta during the last budget session on this subject the Secretary wrote as follows :—

"I have seen the Commissioner and discussed this with him. He says there is nothing in the idea as regards industrial spirit. But the distillation of *potable spirit* from

cashew is another matter. He agrees with me that there is nothing in the argume that the establishment of a cashew distillery would encourage illicit distillation. Illic distillation from cashew is rampant now in South Kanara: and the effect of providir licit liquor would be rather to discourage it than to encourage it. He is enquiring in the matter further and thinks it may be quite possible to frame a scheme." For orde whether the Commissioner of Excise may be asked to submit detailed proposals on tl subject for the consideration of the Government.

P. K. GNANASUNDARA MUDALIYAR—8-5-33.

J. A. THORNE—9-5-33.

Yes.

S. K[UMARASWAMI REDDIYAR]—10-5-33.

[Excise—South Kanara—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association.]

From Mr. A. L. Pinto, dated 12th May 1933.

Secretary's remarks on current file.—Records.

J.A.T.—16-5-33.

With regard to certain points regarding the manufacture of arrack out of cashe fruits referred to by Mr. Sreshta in his speech in the Legislative Council in connexio with the debate on Demand II—Excise, a draft official memorandum to the Commi **A** | sioner asking him to devise a scheme for the manufacture of liquor from cashew frui was put up and the file was submitted to Secretary on 17th May 1933. This may be adde on to the main file. For orders whether a formal acknowledgment should be sent to th Honorary Secretary, Catholic Association, South Kanara.

D.T.—18-5-33.

After the draft referred to at **A** above issues, the resolution in this file may be se to the Commissioner of Excise in continuation for information.

P.K.G.—19-5-33.

J.A.T.—22-5-33.

A draft memorandum is submitted for approval.

D.T.—23-5-33. P.K.G.—23-5-33.

[Issued as Memorandum No. 1752/33-1, dated 23rd May 1933, to Commissioner of Excise.]

From the Commissioner of Excise, dated 31st August 1933, *C.R. No. 5609-Abk.*

In the Official Memorandum No. 1453-D/33-2, dated 22nd May 1933, the Commissione of Excise was told that the Government's information was that illicit distillation of arrac from cashew fruits was actually carried on on a large scale in the South Kanara distri and that the effect of permitting the manufacture of licit liquor from cashew fruits migl be rather to discourage illicit distillation than to encourage it. He was accordingl requested to investigate the question fully and to submit detailed proposals on the subje for the consideration of the Government. This reference was made with reference t a promise made by Hon'ble the Third Minister in the course of the budget debate i March 1933 to examine the possibility of distilling arrack from cashew fruits. Th Commissioner has now submitted a detailed report on the subject.

2. The Commissioner of Excise admits that there are strong grounds for giving Sout Kanara district the differential treatment in regard to the supply of arrack which wi be involved in providing a licit supply of cashew arrack and these grounds are give in paragraph 5 of his report. In order to meet the demand for cashew arrack th Commissioner considers that it is worth while to make an experiment with a view find out whether there is a market at a reasonable price for licit cashew arrack an whether the marketing of such arrack will have any effect in increasing revenue an reducing crime. He suggests that the arrack so produced should be on sale under precise the same conditions as molasses arrack, i.e., as a country liquor sold in the arrack sho which will sell both kinds of arrack and the limit of possession, four drams, will be th same for both. He adds that the experiment is necessary to test the legitimate dema for cashew arrack in the Mangalore taluk where it is understood that the demand is greate and most constant and to test the correctness of the claim that cashew arrack is genuine required by the public more for its inherent qualities than for its cheapness as an illicit distilled and therefore untaxed article of consumption.

3. The Commissioner has had a small quantity of cashew fruits distilled on a laboratory scale in the Board's laboratory and sent the arrack to the Excise Inspector, Mangalore, with instruction to get it tried by some connoisseurs of this beverage. As the experiment appeared to be successful, the Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. The conditions subject to which Messrs. Parry & Co., have agreed to the proposals are contained in their letter, dated 30th August 1933. As for the financial effect of the proposal, the Commissioner believes that the experiment can be made perhaps at a profit, most probably at no cost to Government and that the initial expenditure involved, viz., Rs. 3,200 under the scheme will be recouped by the duty recovered.

The points for orders are—

(1) whether Messrs Parry & Co. should be asked to distil cashew arrack during the ensuing season subject to the conditions mentioned in their letter, dated 30th August 1933, and paragraphs 10-11 of Commissioner's reference dated 31st August 1933; and

(2) whether, in case the scheme proves successful, the Chowghat distillery should be enlarged with a view to a larger output or whether a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold.

The latter question can be settled after the result of the experiment proposed in item (1) above is known. The file may go to Finance for remarks on proposal (1). This proposal which is estimated to cost Rs. 3,200 need not, it seems, be treated as a Part II scheme and placed before the Finance Committee. (Messrs. Parry & Co., require an answer, if possible, by the end of September or at the latest by the end of October in order that, if Government approve the scheme, they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then sufficient coconut toddy arrack for their probable requirements.)

D.T.—9-9-33.

The immediate cost to Government is about Rs. 3,200 for equipment and alterations required at the Chowghat distillery. All other expenses connected with the experiment will be borne by Messrs. Parry & Co. If the experiment is successful, the excise duty accruing to Government will be between Rs. 44,200 and Rs. 88,400. If it proves to be a failure, the actual cost and expenses of manufacture incurred by Messrs. Parry & Co., are to be refunded to them by Government. The Commissioners' report shows that the experiment is well worth a trial. Messrs. Parry & Co. want an answer before 30th September or by 31st October at the latest. The remarks of Finance may be invited before circulation.

P. K. GNANASUNDARA MUDALIYAR—11-9-33.

The Commissioner recants the view expressed by his predecessor (Mr. Moore) in 1927—top of page 19 of G.O. No. 2028, Revenue, dated 15th October 1927. I think Mr. Thomas is right.

2. What the South Kanara folk want is a cashew distillery in the district. But clearly the existing distillery at Chowghat in Malabar is the right place for the experiment. It is within my own knowledge that cashew grows profusely in the neighbourhood: and the distillery can be used for the purpose at trifling extra cost.

3. The reports of Mangalore Connoisseurs on the laboratory sample are enthusiastic.

4. The figure of Rs. 88,393 is arrived at as follows:—

The liquor being 30° under proof, the duty is Rs. 6-2-0 per 70 parts. This gives Rs. 8-8-4 nearly for 100 parts, i.e., one gallon. Hence Rs. 88,393 for 10,000 gallons.

5. The proposals may be accepted. If they are to be treated as a Part II scheme and placed before the Finance Committee the experiment cannot apparently, be conducted this year. Finance will no doubt advice as to the procedure.

J. A. THORNE—11-9-33.

FINANCE (EXPENDITURE) DEPARTMENT.

During the last budget discussions on the 'Excise' demand the Hon'ble the Third Minister undertook to investigate the question of manufacturing liquor from cashew fruits on the west coast. It is now proposed, as an experimental measure, to authorize Messrs. Parry & Co. the lessees of the Government distillery, Chowghat, to distil cashew arrack during the ensuing season and to issue it for sale in Mangalore town and taluk. It is

considered that the effect of permitting the manufacture of licit liquor from cashew fruits might discourage illicit distillation now being carried on on a large scale in the South Kanara district.

2. The conditions subject to which the company have agreed to undertake the experiment are given in their letter, dated 30th August 1933.

The immediate cost to Government is Rs. 3,200 for equipment and alterations required for temporarily adapting the Chowghat distillery for the manufacture of cashew arrack. The other expenses connected with the distillation will be by Messrs. Parry & Co.

It is anticipated that if the experiment is successful there will be an additional revenue to Government from excise duty, ranging between Rs. 44,200 and Rs. 88,400 per annum, the actual amount depending on the quantity of liquor manufactured. If, however, the experiment proves a failure, Messrs. Parry & Co. will have to be compensated for the loss incurred by them.

Submitted that the proposals may be accepted.

3. As the proposal involves an expenditure the like of which had not been incurred in the past, it constitutes a ' new service ' requiring the vote of the Legislative Council. It will ordinarily have to be treated as a Part II scheme for 1934–35. If this is done, the experiment can be made only in March, April and May 1935. In view of the likely increase in revenue to Government, Finance may advise that a supplementary grant may be obtained so that the actual distillation may commence in March 1934. The demand need be only for a token sum of Rs. 100 as it should be possible to meet the small expenditure of Rs. 3,200 from the sanctioned grant for the Excise department.

V.V.—20–9–33. C. A. SUNDARAM AYYAR—20–9–33.

C-4 may see.

H. M. HOOD—21–9–33.

REVENUE DEPARTMENT.

Submitted for orders.

P. K. GNANASUNDARA MUDALIYAR—21–9–33.

J. A. THORNE—22–9–33.

The proposals seem all right and are accepted.

I should prefer to have them put through in the normal course as a Part II scheme. A supplemental demand in sure to provoke a good deal of opposition in the Legislative Council and I am not sure if it is worth while to raise all that storm.

S. K[UMARASWAMI REDDIYAR]—22–9–33.

Very well. But how is licit cashew arrack to be distinguished from illicit? This was Mr. Moore's chief point, and I do not see any proposals for meeting it.

H. G. S[TOKES]—23–9–33.

Draft.

J.A.T.—23–9–33.

A draft official memorandum to the Commissioner of Excise is submitted for approval.

P.T.—26–9–33. D.T.—26–9–33. P.K.G.—26–9–33.

J.A.T.—26–9–33.

S. K[UMARASWAMI REDDIYAR]—26–9–33.

Issue.

J.A.T.—26–9–33.

[Issued as Official Memorandum No. 2784-D/33-3, dated 28th September 1933.]

From the Commissioner of Excise, dated 4th October 1933, *No. C.R.* 5609-*Abk.*

Please see Hon'ble Member C-4's note, dated 23rd September 1933, official memorandum to Commissioner, dated 28th September 1933, and the Commissioner's reply, dated 4th October 1933.

2. In the circumstances reported by the Commissioner of Excise it is for orders whether his view that there will be no special difficulty in distinguishing licit from illicit liquor will be accepted.

There will be no more difficulty, apparently, than there is now in distinguishing licit arrack from illicit arrack distilled from the same material as licit arrack.

J.A.T.—12–10–33.

3. As presumed by the Commissioner of Excise in paragraph 2 of his reference, dated 4th October 1933, the expenditure necessary for adapting Chowghat distillery for manufacture of cashew arrack can be incurred only after April 1934, and that the work of distillation can be started only from March 1935.

4. A draft note for the Finance Committee for considering the proposal as a Part II scheme for 1934-35 is put up. It may be sent to the Finance Department for adding their note.

5. It appears that a provision of Rs. 3,200 should be made under 'Petty Construction and Repairs—Voted' to be opened under "6. c. Excise—Distilleries—Transferred—D. Other Charges." Finance Department may be requested to advise.

P.T.—10-10-33. D.T.—10-10-33. P. K. GNANASUNDARA MUDALIYAR—11-10-33.

J. A. THORNE—12-10-33.

FINANCE (B.E. IV) DEPARTMENT.

Paragraph 5 of the Revenue Department's notes above.—The details of expenditure for Rs. 3,200 are given in Enclosure C. It will be seen therefrom that a large portion of the amount will be spent on the purchase of materials and on contingencies. It is therefore submitted that the whole sum of Rs. 3,200 may be shown under the detailed head 'Supplies and Services' under "6. c. Excise—Distilleries—Transferred—D. Other Charges".

Subject to above remarks the draft note for the Finance Committee may be accepted and the following added as note by this department :—

"The proposal may be placed before the Finance Committee as a Part II scheme for 1934-35."

A.K.—13-10-33. C. A. SUNDARAM AYYAR—13-10-33.

H. M. HOOD—16-10-33.

REVENUE DEPARTMENT.

The amendment relating to the detailed budget head to which the expenditure of Rs. 3,200 should be debited and the addition to the note suggested in the Finance Department's note, dated 16th October 1933, have been made in the note for the Finance Committee. The note is submitted for approval.

D.T.—19-10-33. P.K.G.—20-10-33.

J.A.T.—20-10-33.

S. K[UMARASWAMI REDDIYAR]—22-10-33.

H. G. S[TOKES]—23-10-33.

Issue.

J.A.T.—23-10-33.

REVENUE DEPARTMENT.

NOTE FOR THE FINANCE COMMITTEE.

PART II SCHEME FOR 1934-35.

[SUBJECT.—*Cashew arrack—South Kanara—Experimental distillation and sale—Proposals.*]

Summary.

Head of account.	Item of expenditure.	Ultimate cost.	Cost during 1934-35.
		Rs.	Rs.
c. Excise—Distilleries—Transferred—D. Other charges—Supplies and Services—Voted.	Expenditure in Chowghat distillery for manufacture of cashew arrack on an experimental basis.	3,200	3,200

NOTE BY THE REVENUE DEPARTMENT.

Cashew arrack distilled from the fruit of the cashew tree which grows in profusion in the Mangalore and Kasaragod taluks of the South Kanara district and also in other areas of the West Coast districts is the traditional drink of a section of the public in the South Kanara district. This arrack is consumed mainly in Mangalore, Kasaragod and Karkal taluks; and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed

that complete success has attended the preventive activities of the Excise department. As cashew arrack is preferred to any other drink in these areas, and as it has proved impossible to prevent its illicit manufacture, the question of legalising its manufacture was considered in 1891, 1900–01 and in 1915. In 1915, the Board of Revenue was favourably inclined towards the proposal, and Messrs. Parry & Co., the contract suppliers of molasses arrack to the South Kanara district, were asked to undertake the experimental distillation of cashew arrack at the Government distillery at Chowghat. But effect could not be given to this suggestion as it was impossible in war time to get the copper required for a still, and the proposal was dropped for a year and was not subsequently revived. Recently some members of the Legislative Council have urged the desirability of supplying licit cashew arrack, and during the last budget debate the Government stated that the matter would be considered. The Commissioner of Excise to whom the question was referred recommends the supply of licit cashew arrack in the South Kanara district where a section of the population strongly desire it, believing that it has peculiar medicinal properties. The arrack is widely used for women before, at, and after child-birth. The best efforts of the Excise department have been unavailing to prevent or even reduce materially the systematic illicit distillation of cashew arrack. Detection of cases of illicit possession and illicit distillation of this arrack covers only a small percentage of such cases. In a densely wooded district like South Kanara cut up by numerous backwaters and navigable rivers it is very easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who are supplying a public requirement. Cashew arrack can be obtained at almost any period of the year, though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner of Excise for these reasons considers that from the revenue point of view much legitimate revenue must have been lost by the failure to give the South Kanara public the drink that they want and will have, and that from the moral point of view it is bad that men, law abiding in every other respect, should be impelled to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worth while to make an experiment by which licit cashew arrack would be made obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co. It would be sold under precisely the same conditions as molasses arrack, that is, as a country liquor, in arrack shops, which will sell both kinds of arrack. The object of the proposed experiment is to test whether there is a legitimate demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant, and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

The Commissioner had a small quantity of cashew fruits distilled in his laboratory and sent the arrack to the Excise Inspector, Mangalore, with instructions to get it tried by some connoisseurs of this beverage. The reports of these connoisseurs on the laboratory sample are favourable.

The Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. Messrs. Parry & Co. have agreed to the proposal subject to certain conditions, the more important of them being—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company will, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

If the experiment is successful, the excise duty accruing to Government should be between Rs. 44,200 and Rs. 88,400. The Commissioner of Excise believes that the experiment can be made perhaps at a profit, most probably at no cost to the Government, and that the initial expenditure involved, viz., Rs. 3,200, under the scheme will be recouped by the duty recovered. It is proposed to accept the Commissioner's recommendation and to provide funds for the purpose in the Budget Estimate for 1934-35.

J. A. THORNE—12-10-33.

NOTE BY THE FINANCE DEPARTMENT.

The proposal may be placed before the Finance Committee as a Part II Scheme for 1934-35.

H. M. HOOD—16-10-33.

The note for the Finance Committee has been printed. Thirty copies of the note may be sent to the Finance Department. A draft u.o. note is submitted for approval.

P.T.—31-10-33. D.T.—31-10-33. P. K. GNANASUNDARA MUDALIYAR—1-11-33.

FINANCE (BUDGET-GENERAL) DEPARTMENT.

U.O. Note No. 35928 (B.G.)-16, dated 11th January 1934.

[Meeting of the Finance Committee—10th January 1934—Recommendations.—*Reference.*—U.O. Note No. 35928-B.G.-7, dated 26th December 1933.]

At the meeting held on the 10th January 1934, the Finance Committee considered the Part II schemes for 1934-35 relating to the Development Department (except Forest and Veterinary schemes considered on the 8th January 1934) and the Revenue Department and made the following recommendations :—

* * * * * *

REVENUE DEPARTMENT.

6. *Excise.*—Item (1), (2) and (4) to (6) were placed in class II. Item (3) was placed in class III.

	Ultimate cost.	Cost during 1934-35.
6 Experimental distillation of cashew arrack for sale in the South Kanara district	3,200	3,200

S. A. VENKATARAMAN,
Deputy Secretary.

Please see the recommendation of the Finance Committee. They have placed the * scheme in class II (schemes that are very urgently necessary). Necessary provision for the scheme will be made by the Finance Department in the budget estimate for 1934-35. The classification of the Finance Committee may be accepted in this Department. (Orders sanctioning the scheme will be issued as soon as the budget has been voted by the Legislative Council.)

* Experimental distillation of cashew arrack for sale in the South Kanara district.

P.T.—15-1-34. D.T.—15-1-34. P.K.G.—16-1-34.

An unexpected success.

J.A.T.—16-1-34.

Possibly the result of Mr. Shreshta's lobbying.

S. K[UMARASWAMI REDDIYAR]—17-1-34.

NOTES TO G.O. No. 673, REVENUE, 4TH APRIL 1934

COUNCIL OFFICE.

Voting of demands for grants, 1934–35.

The undermentioned departments of the Secretariat may be informed that the ollowing demands for grants were carried by the Council on the dates noted against each :—

Demand No,	Amount of appropriation.	Amount reduced.	Date
II Excise-Transferred	30,82,000	Nil	10th March 1934

* * * * * *

D. K. V. RAGHAVA VARMA—15–3–34.

REVENUE DEPARTMENT.

The excise budget was noted by the Legislative Council without a cut on 10th March 1934.

2. The proposals of the Commissioner of Excise that should be sanctioned by the Government are briefly—

(1) that Messrs. Parry & Co. who are the contract suppliers of molasses arrack for South Kanara should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore;

(2) that the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits estimated at Rs. 3,200 should be borne by the Government; all other expenses in connexion with the experiment being borne by the company;

(3) that in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company should, if required, sell all temporary equipment on behalf of the Government for the best price obtainable.

3. The Commissioner has already pointed out that the distillation of cashew arrack cannot be started this season, i.e., March, April and May 1934 and if sanctioned by the Government has to be started only from March 1935.

4. A draft order sanctioning the Commissioner's proposals is submitted for approval It may be sent to the Finance Department for acceptance.

P.T.—20–3–34. D.T.—21–3–34. P. K. GNANASUNDARA MUDALIYAR—22–3–34.

J. A. THORNE—22–3–34.

FINANCE (EXPENDITURE) DEPARTMENT.

The draft order may be accepted.

T. A. SRINIVASARAGHAVA AYYANGAR—27–3–34.

C. A. SUNDARAM AYYAR—27–3–34.

H. M. HOOD—28–3–34.

REVENUE DEPARTMENT.

The draft may issue.

P.K.G.—29–3–34.

J.A.T.—29–3–34.

S. K[UMARASWAMI REDDIYAR]—31–3–34.

Issue.

J.A.T.—4–4–34.

[G.O. No. 673, Revenue, dated 4th April 1934.]

Government of Mad

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

* * * * * *

II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

* * * * * *

4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

~~Records.~~

~~J. A. THORNE 16.5.33.~~

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a [redacted] industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of [redacted]hew trees on waste lands now yielding no income and providing employment to a large numb[redacted]f persons and thus affording some relief in these days of economic depression, and will further p[redacted]vide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a [redacted]stillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr .W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until "some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System: and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote: "I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21–14–0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

* Not printed.

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. BRITO,
Secretary.

ENCLOSURE A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	91	1929–30	172
1927–28	142	1930–31	189
1928–29	136		

ENCLOSURE C.

	RS.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
6) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

Enclosure D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.
In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., c.i.e., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

Order—No. 673, Revenue, dated 4th April 1934.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under "6. c. Excise—Distilleries—Transferred."

By order of the Government, Ministry of Education and Excise)

J. A. Thorne,
Secretary to Government.

To the Commissioner of Excise.
,, Accountant-General, through F.
Finance Department.

NOTES CONNECTED WITH G.O. No. 673, REVENUE, DATED 4TH APRIL 1934.

[SUBJECT.—*Excise—Budget—1933-34—Demand II Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.*]

Extract from the speech of Mr. M. S. Sreshta—On Manufacture of liquor from cashew fruits in South Kanara.

"To-day I am concerned only with one industry which ought to give a quota of income to the State. There has recently been a great impetus to the cultivation of cashew tree owing to the export of cashew-nuts to America. The local demand for cashew-nut also has greatly increased. Attempts are being made in certain districts to cultivate cashew trees on a very large scale. At present, they grow wild, and attempts are now being made to grow the cashew in a systematic way. The result will be the number of cashew fruits available in the market will be considerably increased. Whereas the nuts are eaten or stored and exported, the fruits will be thrown away. Only very little of the fruits are eaten. In my opinion, these cashew fruits can be utilized for the manufacture of liquor (hear, hear). There is an ironical cheer on the other side, the implication of which is that if liquor is manufactured from cashew fruit there will be more consumption of liquor in the country. That is not so. It might interest my hon. Friends over there to hear that we are importing Rs. 3½ crores worth of liquor annually from Europe. Why should there be so much drain from the country? Why can you not diminish the drain by making the liquor in the country itself? The result of utilizing the cashew fruit for the manufacture of liquor will be not to increase drunkenness but to decrease the drain from the country. I trust that Hon'ble Members who are in favour of prohibition will look at the question from that point of view, and see that it is in the interest of the country that the waste product I am mentioning is utilized in this way. In Ceylon, an attempt is now being made to make wine from toddy. The Legislative Council there was practically unanimous in its demand that fermented wines and sparkling wines should be made from toddy, and the matter is being examined there. We are importing every year, Rs. 12½ lakhs worth of wine from outside. This amount can be kept in the country, if the manufacture of wine can be brought about in this country. These are points which I would advocate and ask the Hon'ble Minister for Excise to consider carefully. I think that if distilleries are established for the manufacture of liquor from cashew fruits and the manufacture of wine from fermented toddy, a great deal of income will come to the State, and the object of our agitation to lessen the land tax could be achieved earlier than we have been hoping."

Extract of Hon'ble Minister 3's reply on the subject of manufacturing liquor from cashew fruits in South Kanara.

"Just a word to my Hon'ble Friend, Mr. Sreshta, who has been attacked by my Hon'ble Friend, Mr. Yakub Hasan, for some remarks that he has made. That is a matter between them both. With regard to some suggestions that he has made I may tell him that the question of manufacturing liquor from cashew fruit is being examined and from the materials and observations that he has made I do not think it would be impossible to evolve some schemes as he suggests. I, at the present moment, only say without giving any undertaking in respect of that matter that the question will be fully considered."

Please see the extract from the Legislative Council Proceedings containing the discussions relating to the budget Demand II—Excise. The Hon'ble Minister 3 in his speech has promised to consider the following point which individual Members of the Legislative Council referred to in the course of the debate :—

* * * * * *

Manufacture of liquor from cashew fruits.—It will be observed from paragraph 2 of notes at page 17 and Secretary's notes marked **N** at pages 18 and 24 of G.O. No. 93, Revenue, dated 16th January 1933, that this question was considered previously and it was not pursued further as the Commissioner of Excise was of opinion in 1927 that if arrack was *allowed* to be manufactured out of cashew fruits there would be a considerable fall in revenue and increase in illicit distillation, as it would be very difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices. In connexion with a budget motion by Mr. Sreshta during the last budget session on this subject the Secretary wrote as follows :—

"I have seen the Commissioner and discussed this with him. He says there is nothing in the idea as regards industrial spirit. But the distillation of *potable spirit* from

cashew is another matter. He agrees with me that there is nothing in the argument that the establishment of a cashew distillery would encourage illicit distillation. Illicit distillation from cashew is rampant now in South Kanara: and the effect of providing licit liquor would be rather to discourage it than to encourage it. He is enquiring into the matter further and thinks it may be quite possible to frame a scheme." For orders whether the Commissioner of Excise may be asked to submit detailed proposals on the subject for the consideration of the Government.

P. K. GNANASUNDARA MUDALIYAR—8-5-33.

J. A. THORNE—9-5-33.

Yes.

S. K[UMARASWAMI REDDIYAR]—10-5-33.

[Excise—South Kanara—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association.]

From Mr. A. L. Pinto, dated 12th May 1933.

Secretary's remarks on current file.—Records.

J.A.T.—16-5-33.

With regard to certain points regarding the manufacture of arrack out of cashew fruits referred to by Mr. Sreshta in his speech in the Legislative Council in connexion with the debate on Demand II—Excise, a draft official memorandum to the Commissioner asking him to devise a scheme for the manufacture of liquor from cashew fruits was put up and the file was submitted to Secretary on 17th May 1933. This may be added on to the main file. For orders whether a formal acknowledgment should be sent to the Honorary Secretary, Catholic Association, South Kanara.

A

D.T.—18-5-33.

After the draft referred to at **A** above issues, the resolution in this file may be sent to the Commissioner of Excise in continuation for information.

P.K.G.—19-5-33.

J.A.T.—22-5-33.

A draft memorandum is submitted for approval.

D.T.—23-5-33. P.K.G.—23-5-33.

[Issued as Memorandum No. 1752/33-1, dated 23rd May 1933, to Commissioner of Excise.]

From the Commissioner of Excise, dated 31st August 1933, *C.R. No. 5609-Ablk.*

In the Official Memorandum No. 1453-D/33-2, dated 22nd May 1933, the Commissioner of Excise was told that the Government's information was that illicit distillation of arrack from cashew fruits was actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. He was accordingly requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government. This reference was made with reference to a promise made by Hon'ble the Third Minister in the course of the budget debate in March 1933 to examine the possibility of distilling arrack from cashew fruits. The Commissioner has now submitted a detailed report on the subject.

2. The Commissioner of Excise admits that there are strong grounds for giving South Kanara district the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack and these grounds are given in paragraph 5 of his report. In order to meet the demand for cashew arrack the Commissioner considers that it is worth while to make an experiment with a view to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. He suggests that the arrack so produced should be on sale under precisely the same conditions as molasses arrack, i.e., as a country liquor sold in the arrack shops which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. He adds that the experiment is necessary to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

3. The Commissioner has had a small quantity of cashew fruits distilled on a laboratory scale in the Board's laboratory and sent the arrack to the Excise Inspector, Mangalore, with instruction to get it tried by some connoisseurs of this beverage. As the experiment appeared to be successful, the Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. The conditions subject to which Messrs. Parry & Co., have agreed to the proposals are contained in their letter, dated 30th August 1933. As for the financial effect of the proposal, the Commissioner believes that the experiment can be made perhaps at a profit, most probably at no cost to Government and that the initial expenditure involved, viz., Rs. 3,200 under the scheme will be recouped by the duty recovered.

The points for orders are—

(1) whether Messrs Parry & Co. should be asked to distil cashew arrack during the ensuing season subject to the conditions mentioned in their letter, dated 30th August 1933, and paragraphs 10-11 of Commissioner's reference dated 31st August 1933; and

(2) whether, in case the scheme proves successful, the Chowghat distillery should be enlarged with a view to a larger output or whether a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold.

The latter question can be settled after the result of the experiment proposed in item (1) above is known. The file may go to Finance for remarks on proposal (1). This proposal which is estimated to cost Rs. 3,200 need not, it seems, be treated as a Part II scheme and placed before the Finance Committee. (Messrs. Parry & Co., require an answer, if possible, by the end of September or at the latest by the end of October in order that, if Government approve the scheme, they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then sufficient coconut toddy arrack for their probable requirements.)

D.T.—9-9-33.

The immediate cost to Government is about Rs. 3,200 for equipment and alterations required at the Chowghat distillery. All other expenses connected with the experiment will be borne by Messrs. Parry & Co. If the experiment is successful, the excise duty accruing to Government will be between Rs. 44,200 and Rs. 88,400. If it proves to be a failure, the actual cost and expenses of manufacture incurred by Messrs. Parry & Co., are to be refunded to them by Government. The Commissioners' report shows that the experiment is well worth a trial. Messrs. Parry & Co. want an answer before 30th September or by 31st October at the latest. The remarks of Finance may be invited before circulation.

P. K. GNANASUNDARA MUDALIYAR—11-9-33.

The Commissioner recants the view expressed by his predecessor (Mr. Moore) in 1927—top of page 19 of G.O. No. 2028, Revenue, dated 15th October 1927. I think Mr. Thomas is right.

2. What the South Kanara folk want is a cashew distillery in the district. But clearly the existing distillery at Chowghat in Malabar is the right place for the experiment. It is within my own knowledge that cashew grows profusely in the neighbourhood: and the distillery can be used for the purpose at trifling extra cost.

3. The reports of Mangalore Connoisseurs on the laboratory sample are enthusiastic.

4. The figure of Rs. 88,393 is arrived at as follows:—

The liquor being 30° under proof, the duty is Rs. 6-8-0 per 70 parts. This gives Rs. 8-84 nearly for 100 parts, i.e., one gallon. Hence Rs. 88,393 for 10,000 gallons.

5. The proposals may be accepted. If they are to be treated as a Part II scheme and placed before the Finance Committee the experiment cannot apparently, be conducted this year. Finance will no doubt advice as to the procedure.

J. A. THORNE—11-9-33.

FINANCE (EXPENDITURE) DEPARTMENT.

During the last budget discussions on the 'Excise' demand the Hon'ble the Third Minister undertook to investigate the question of manufacturing liquor from cashew fruits on the west coast. It is now proposed, as an experimental measure, to authorize Messrs. Parry & Co. the lessees of the Government distillery, Chowghat, to distil cashew arrack during the ensuing season and to issue it for sale in Mangalore town and taluk. It is

considered that the effect of permitting the manufacture of licit liquor from cashew fruits might discourage illicit distillation now being carried on on a large scale in the South Kanara district.

2. The conditions subject to which the company have agreed to undertake the experiment are given in their letter, dated 30th August 1933.

The immediate cost to Government is Rs. 3,200 for equipment and alterations required for temporarily adapting the Chowghat distillery for the manufacture of cashew arrack. The other expenses connected with the distillation will be by Messrs. Parry & Co.

It is anticipated that if the experiment is successful there will be an additional revenue to Government from excise duty, ranging between Rs. 44,200 and Rs. 88,400 per annum, the actual amount depending on the quantity of liquor manufactured. If, however, the experiment proves a failure, Messrs. Parry & Co. will have to be compensated for the loss incurred by them.

Submitted that the proposals may be accepted.

3. As the proposal involves an expenditure the like of which had not been incurred in the past, it constitutes a ' new service ' requiring the vote of the Legislative Council. It will ordinarily have to be treated as a Part II scheme for 1934–35. If this is done, the experiment can be made only in March, April and May 1935. In view of the likely increase in revenue to Government, Finance may advise that a supplementary grant may be obtained so that the actual distillation may commence in March 1934. The demand need be only for a token sum of Rs. 100 as it should be possible to meet the small expenditure of Rs. 3,200 from the sanctioned grant for the Excise department.

V.V.—20-9-33. C. A. SUNDARAM AYYAR—20-9-33.

C-4 may see.

H. M. HOOD—21-9-33.

REVENUE DEPARTMENT.

Submitted for orders.

P. K. GNANASUNDARA MUDALIYAR—21-9-33.

J. A. THORNE—22-9-33.

The proposals seem all right and are accepted.

I should prefer to have them put through in the normal course as a Part II scheme. A supplemental demand in sure to provoke a good deal of opposition in the Legislative Council and I am not sure if it is worth while to raise all that storm.

S. K[UMARASWAMI REDDIYAR]—22-9-33.

Very well. But how is licit cashew arrack to be distinguished from illicit? This was Mr. Moore's chief point, and I do not see any proposals for meeting it.

H. G. S[TOKES]—23-9-33.

Draft.

J.A.T.—23-9-33.

A draft official memorandum to the Commissioner of Excise is submitted for approval.

P.T.—26-9-33. D.T.—26-9-33. P.K.G.—26-9-33.

J.A.T.—26-9-33.

S. K[UMARASWAMI REDDIYAR]—26-9-33.

Issue.

J.A.T.—26-9-33.

[Issued as Official Memorandum No. 2784-D/33-3, dated 28th September 1933.]

From the Commissioner of Excise, dated 4th October 1933, No. C.R. 5609-Abk.

Please see Hon'ble Member C-4's note, dated 23rd September 1933, official memorandum to Commissioner, dated 28th September 1933, and the Commissioner's reply, dated 4th October 1933.

2. In the circumstances reported by the Commissioner of Excise it is for orders whether his view that there will be no specia difficulty in distinguishing licit from illici liquor will be accepted.

There will be no more difficulty, apparently, than there is now in distinguishing licit arrack from illicit arrack distilled from the same material as licit arrack.

J.A.T.—12-10-33.

3. As presumed by the Commissioner of Excise in paragraph 2 of his reference dated 4th October 1933, the expenditure necessary for adapting Chowghat distillery fo manufacture of cashew arrack can be incurred only after April 1934, and that the worl of distillation can be started only from March 1935.

4. A draft note for the Finance Committee for considering the proposal as a Part II scheme for 1934-35 is put up. It may be sent to the Finance Department for adding their note.

5. It appears that a provision of Rs. 3,200 should be made under 'Petty Construction and Repairs—Voted' to be opened under "6. c. Excise—Distilleries—Transferred—D. Other Charges." Finance Department may be requested to advise.

P.T.—10-10-33. D.T.—10-10-33. P. K. GNANASUNDARA MUDALIYAR—11-10-33.

J. A. THORNE—12-10-33.

FINANCE (B.E. IV) DEPARTMENT.

Paragraph 5 of the Revenue Department's notes above.—The details of expenditure for Rs. 3,200 are given in Enclosure C. It will be seen therefrom that a large portion of the amount will be spent on the purchase of materials and on contingencies. It is therefore submitted that the whole sum of Rs. 3,200 may be shown under the detailed head 'Supplies and Services' under "6. c. Excise—Distilleries—Transferred—D. Other Charges".

Subject to above remarks the draft note for the Finance Committee may be accepted and the following added as note by this department :—

"The proposal may be placed before the Finance Committee as a Part II scheme for 1934-35."

V.K.—13-10-33. C. A. SUNDARAM AYYAR—13-10-33.

H. M. HOOD—16-10-33.

REVENUE DEPARTMENT.

The amendment relating to the detailed budget head to which the expenditure of Rs. 3,200 should be debited and the addition to the note suggested in the Finance Department's note, dated 16th October 1933, have been made in the note for the Finance Committee. The note is submitted for approval.

D.T.—19-10-33. P.K.G.—20-10-33.

J.A.T.—20-10-33.

S. K[UMARASWAMI REDDIYAR]—22-10-33.

H. G. S[TOKES]—23-10-33.

Issue.

J.A.T.—23-10-33.

REVENUE DEPARTMENT.

NOTE FOR THE FINANCE COMMITTEE.

PART II SCHEME FOR 1934-35.

[SUBJECT.—*Cashew arrack—South Kanara—Experimental distillation and sale—Proposals.*]

Summary.

Head of account.	Item of expenditure.	Ultimate cost.	Cost during 1934-35.
Excise—Distilleries—Transferred—D. Other charges—Supplies and Services—Voted.	Expenditure in Cowghat distillery for manufacture of cashew arrack on an experimental basis.	Rs. 3,200	Rs. 3,200

NOTE BY THE REVENUE DEPARTMENT.

Cashew arrack distilled from the fruit of the cashew tree which grows in profusion in the Mangalore and Kasaragod taluks of the South Kanara district and also in other areas of the West Coast districts is the traditional drink of a section of the public in the South Kanara district. This arrack is consumed mainly in Mangalore, Kasaragod and Karkal taluks; and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed

that complete success has attended the preventive activities of the Excise department. As cashew arrack is preferred to any other drink in these areas, and as it has proved impossible to prevent its illicit manufacture, the question of legalising its manufacture was considered in 1891, 1900–01 and in 1915. In 1915, the Board of Revenue was favourably inclined towards the proposal, and Messrs. Parry & Co., the contract suppliers of molasses arrack to the South Kanara district, were asked to undertake the experimental distillation of cashew arrack at the Government distillery at Chowghat. But effect could not be given to this suggestion as it was impossible in war time to get the copper required for a still, and the proposal was dropped for a year and was not subsequently revived. Recently some members of the Legislative Council have urged the desirability of supplying licit cashew arrack, and during the last budget debate the Government stated that the matter would be considered. The Commissioner of Excise to whom the question was referred recommends the supply of licit cashew arrack in the South Kanara district where a section of the population strongly desire it, believing that it has peculiar medicinal properties. The arrack is widely used for women before, at, and after child-birth. The best efforts of the Excise department have been unavailing to prevent or even reduce materially the systematic illicit distillation of cashew arrack. Detection of cases of illicit possession and illicit distillation of this arrack covers only a small percentage of such cases. In a densely wooded district like South Kanara cut up by numerous backwaters and navigable rivers it is very easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who are supplying a public requirement. Cashew arrack can be obtained at almost any period of the year, though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner of Excise for these reasons considers that from the revenue point of view much legitimate revenue must have been lost by the failure to give the South Kanara public the drink that they want and will have, and that from the moral point of view it is bad that men, law abiding in every other respect, should be impelled to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worth while to make an experiment by which licit cashew arrack would be made obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co. It would be sold under precisely the same conditions as molasses arrack, that is, as a country liquor, in arrack shops, which will sell both kinds of arrack. The object of the proposed experiment is to test whether there is a legitimate demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant, and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

The Commissioner had a small quantity of cashew fruits distilled in his laboratory and sent the arrack to the Excise Inspector, Mangalore, with instructions to get it tried by some connoisseurs of this beverage. The reports of these connoisseurs on the laboratory sample are favourable.

The Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. Messrs. Parry & Co. have agreed to the proposal subject to certain conditions, the more important of them being—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the at being borne by Messrs. Parry & Co.

the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company will, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

If the experiment is successful, the excise duty accruing to Government should be between Rs. 44,200 and Rs. 88,400. The Commissioner of Excise believes that the experiment can be made perhaps at a profit, most probably at no cost to the Government, and that the initial expenditure involved, viz., Rs. 3,200, under the scheme will be recouped by the duty recovered. It is proposed to accept the Commissioner's recommendation and to provide funds for the purpose in the Budget Estimate for 1934–35.

J. A. THORNE—12–10–33.

NOTE BY THE FINANCE DEPARTMENT.

The proposal may be placed before the Finance Committee as a Part II Scheme for 1934–35.

H. M. HOOD—16–10–33.

The note for the Finance Committee has been printed. Thirty copies of the note may be sent to the Finance Department. A draft u.o. note is submitted for approval.

P.T.—31–10–33. D.T.—31–10–33. P. K. GNANASUNDARA MUDALIYAR—1–11–33.

FINANCE (BUDGET-GENERAL) DEPARTMENT.

U.O. Note No. 35928 (B.G.)-16, dated 11th January 1934.

[Meeting of the Finance Committee—10th January 1934—Recommendations.—*Reference.*—U.O. Note No. 35928-B.G.-7, dated 26th December 1933.]

At the meeting held on the 10th January 1934, the Finance Committee considered the Part II schemes for 1934-35 relating to the Development Department (except Forest and Veterinary schemes considered on the 8th January 1934) and the Revenue Department and made the following recommendations :—

* * * * * *

REVENUE DEPARTMENT.

6. *Excise.*—Item (1), (2) and (4) to (6) were placed in class II. Item (3) was placed in class III.

	Ultimate cost.	Cost during 1934-35.
6 Experimental distillation of cashew arrack for sale in the South Kanara district	3,200	3,200

S. A. VENKATARAMAN.
Deputy Secretary.

Please see the recommendation of the Finance Committee. They have placed the * scheme in class II (schemes that are very urgently necessary). Necessary provision for the scheme will be made by the Finance Department in the budget estimate for 1934–35. The classification of the Finance Committee may be accepted in this Department. (Orders sanctioning the scheme will be issued as soon as the budget has been voted by the Legislative Council.)

* Experimental distillation of cashew arrack for sale in the South Kanara district.

P.T.—15–1–34. D.T.—15–1–34. P.K.G.—16–1–34.

An unexpected success.

J.A.T.—16–1–34.

Possibly the result of Mr. Shreshta's lobbying.

S. K[UMARASWAMI REDDIYAR]—17–1–34.

COUNCIL OFFICE.

Voting of demands for grants, 1934-35.

The undermentioned departments of the Secretariat may be informed that the following demands for grants were carried by the Council on the dates noted against each :—

Demand No,	Amount of appropriation.	Amount reduced.	Date
II Excise-Transferred	30,82,000	Nil	10th March 1934
* * *	*	*	*

D. K. V. RAGHAVA VARMA—15-3-34.

REVENUE DEPARTMENT.

The excise budget was noted by the Legislative Council without a cut on 10th March 1934.

2. The proposals of the Commissioner of Excise that should be sanctioned by the Government are briefly—

(1) that Messrs. Parry & Co. who are the contract suppliers of molasses arrack for South Kanara should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore;

(2) that the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits estimated at Rs. 3,200 should be borne by the Government; all other expenses in connexion with the experiment being borne by the company;

(3) that in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company should, if required, sell all temporary equipment on behalf of the Government for the best price obtainable.

3. The Commissioner has already pointed out that the distillation of cashew arrack cannot be started this season, i.e., March, April and May 1934 and if sanctioned by the Government has to be started only from March 1935.

4. A draft order sanctioning the Commissioner's proposals is submitted for approval It may be sent to the Finance Department for acceptance.

P.T.—20-3-34. D.T.—21-3-34. P. K. GNANASUNDARA MUDALIYAR—22-3-34.

J. A. THORNE—22-3-34.

FINANCE (EXPENDITURE) DEPARTMENT.

The draft order may be accepted.

T. A. SRINIVASARAGHAVA AYYANGAR—27-3-34.

C. A. SUNDARAM AYYAR—27-3-34.

H. M. HOOD—28-3-34.

REVENUE DEPARTMENT.

The draft may issue.

P.K.G.—29-3-34.

J.A.T.—29-3-34.

S. K[UMARASWAMI REDDIYAR]—31-3-34.

Issue.

J.A.T.—4-4-34.

[G.O. No. 673, Revenue, dated 4th April 1934.]

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

* * * * * *

II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

* * * * * *

4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

~~Records.~~

~~J. A. THORNE—16-5-33.~~

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

IV

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr .W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until " some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System : and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote : " I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21–14–0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company. have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

Not printed.

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. Brito,
Secretary.

Enclosure A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	91	1929–30	172
1927–28	142	1930–31	189
1928–29	136		

Enclosure C.

	Rs.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

ENCLOSURE D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.

In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., c.i.e., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

Order—No. 673. Revenue. dated 4th April 1934.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under "6. c. Excise—Distilleries—Transferred."

(By order of the Government, Ministry of Education and Excise)

J. A. Thorne,
Secretary to Government.

NOTES CONNECTED WITH G.O. No. 673, REVENUE, DATED 4TH APRIL 1934.

[SUBJECT.—*Excise—Budget*—1933-34—*Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March* 1933.]

Extract from the speech of Mr. M. S. Sreshta—On Manufacture of liquor from cashew fruits in South Kanara.

"To-day I am concerned only with one industry which ought to give a quota of income to the State. There has recently been a great impetus to the cultivation of cashew tree owing to the export of cashew-nuts to America. The local demand for cashew-nut also has greatly increased. Attempts are being made in certain districts to cultivate cashew trees on a very large scale. At present, they grow wild, and attempts are now being made to grow the cashew in a systematic way. The result will be the number of cashew fruits available in the market will be considerably increased. Whereas the nuts are eaten or stored and exported, the fruits will be thrown away. Only very little of the fruits are eaten. In my opinion, these cashew fruits can be utilized for the manufacture of liquor (hear, hear). There is an ironical cheer on the other side, the implication of which is that if liquor is manufactured from cashew fruit there will be more consumption of liquor in the country. That is not so. It might interest my hon. Friends over there to hear that we are importing Rs. 3½ crores worth of liquor annually from Europe. Why should there be so much drain from the country? Why can you not diminish the drain by making the liquor in the country itself? The result of utilizing the cashew fruit for the manufacture of liquor will be not to increase drunkenness but to decrease the drain from the country. I trust that Hon'ble Members who are in favour of prohibition will look at the question from that point of view, and see that it is in the interest of the country that the waste product I am mentioning is utilized in this way. In Ceylon, an attempt is now being made to make wine from toddy. The Legislative Council there was practically unanimous in the demand that fermented wines and sparkling wines should be made from toddy, and the matter is being examined there. We are importing every year, Rs. 12½ lakhs worth of wine from outside. This amount can be kept in the country, if the manufacture of wine can be brought about in this country. These are points which I would advocate and ask the Hon'ble Minister for Excise to consider carefully. I think that if distilleries are established for the manufacture of liquor from cashew fruits and the manufacture of wine from fermented toddy, a great deal of income will come to the State, and the object of our agitation to lessen the land tax could be achieved earlier than we have been hoping."

Extract of Hon'ble Minister 3's reply on the subject of manufacturing liquor from cashew fruits in South Kanara.

"Just a word to my Hon'ble Friend, Mr. Sreshta, who has been attacked by my Hon'ble Friend, Mr. Yakub Hasan, for some remarks that he has made. That is a matter between them both. With regard to some suggestions that he has made I may tell him that the question of manufacturing liquor from cashew fruit is being examined and from the materials and observations that he has made I do not think it would be impossible to evolve some schemes as he suggests. I, at the present moment, only say without giving any undertaking in respect of that matter that the question will be fully considered."

Please see the extract from the Legislative Council Proceedings containing the discussions relating to the budget Demand II—Excise. The Hon'ble Minister 3 in his speech has promised to consider the following point which individual Members of the Legislative Council referred to in the course of the debate :—

* * * * * *

Manufacture of liquor from cashew fruits.—It will be observed from paragraph 2 of notes at page 17 and Secretary's notes marked **N** at pages 18 and 21 of G.O. No. 93, Revenue, dated 16th January 1933, that this question was considered previously and it was not pursued further as the Commissioner of Excise was of opinion in 1927 that if arrack was allowed to be manufactured out of cashew fruits there would be a considerable fall in revenue and increase in illicit distillation, as it would be very difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices. In connexion with a budget motion by Mr. Sreshta during the last budget session on this subject the Secretary wrote as follows :—

"I have seen the Commissioner and discussed this with him. He says there is nothing in the idea as regards industrial spirit. But the distillation of *potable spirit* from

cashew is another matter. He agrees with me that there is nothing in the argument that the establishment of a cashew distillery would encourage illicit distillation. Illicit distillation from cashew is rampant now in South Kanara: and the effect of providing licit liquor would be rather to discourage it than to encourage it. He is enquiring into the matter further and thinks it may be quite possible to frame a scheme." For orders whether the Commissioner of Excise may be asked to submit detailed proposals on the subject for the consideration of the Government.

P. K. GNANASUNDARA MUDALIYAR—8-5-33.

J. A. THORNE—9-5-33.

Yes.

S. K[UMARASWAMI REDDIYAR]—10-5-33.

[Excise—South Kanara—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association.]

From Mr. A. L. Pinto, dated 12th May 1933.

Secretary's remarks on current file.—Records.

J.A.T.—16-5-33.

With regard to certain points regarding the manufacture of arrack out of cashew fruits referred to by Mr. Sreshta in his speech in the Legislative Council in connexion with the debate on Demand II—Excise, a draft official memorandum to the Commissioner asking him to devise a scheme for the manufacture of liquor from cashew fruits was put up and the file was submitted to Secretary on 17th May 1933. This may be added on to the main file. For orders whether a formal acknowledgment should be sent to the Honorary Secretary, Catholic Association, South Kanara.

A

D.T.—18-5-33.

After the draft referred to at **A** above issues, the resolution in this file may be sent to the Commissioner of Excise in continuation for information.

P.K.G.—19-5-33.

J.A.T.—22-5-33.

A draft memorandum is submitted for approval.

D.T.—23-5-33. P.K.G.—23-5-33.

[Issued as Memorandum No. 1752/33-1, dated 23rd May 1933, to Commissioner of Excise.]

From the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

In the Official Memorandum No. 1453-D/33-2, dated 22nd May 1933, the Commissioner of Excise was told that the Government's information was that illicit distillation of arrack from cashew fruits was actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. He was accordingly requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government. This reference was made with reference to a promise made by Hon'ble the Third Minister in the course of the budget debate in March 1933 to examine the possibility of distilling arrack from cashew fruits. The Commissioner has now submitted a detailed report on the subject.

2. The Commissioner of Excise admits that there are strong grounds for giving South Kanara district the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack and these grounds are given in paragraph 5 of his report. In order to meet the demand for cashew arrack the Commissioner considers that it is worth while to make an experiment with a view to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. He suggests that the arrack so produced should be on sale under precisely the same conditions as molasses arrack, i.e., as a country liquor sold in the arrack shops which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. He adds that the experiment is necessary to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

3. The Commissioner has had a small quantity of cashew fruits distilled on a laboratory scale in the Board's laboratory and sent the arrack to the Excise Inspector, Mangalore, with instruction to get it tried by some connoisseurs of this beverage. As the experiment appeared to be successful, the Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. The conditions subject to which Messrs. Parry & Co., have agreed to the proposals are contained in their letter, dated 30th August 1933. As for the financial effect of the proposal, the Commissioner believes that the experiment can be made perhaps at a profit, most probably at no cost to Government and that the initial expenditure involved, viz., Rs. 3,200 under the scheme will be recouped by the duty recovered.

The points for orders are—

(1) whether Messrs Parry & Co. should be asked to distil cashew arrack during the ensuing season subject to the conditions mentioned in their letter, dated 30th August 1933, and paragraphs 10-11 of Commissioner's reference dated 31st August 1933; and

(2) whether, in case the scheme proves successful, the Chowghat distillery should be enlarged with a view to a larger output or whether a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold.

The latter question can be settled after the result of the experiment proposed in item (1) above is known. The file may go to Finance for remarks on proposal (1). This proposal which is estimated to cost Rs. 3,200 need not, it seems, be treated as a Part II scheme and placed before the Finance Committee. (Messrs. Parry & Co., require an answer, if possible, by the end of September or at the latest by the end of October in order that, if Government approve the scheme, they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then sufficient coconut toddy arrack for their probable requirements.)

D.T.—9-9-33.

The immediate cost to Government is about Rs. 3,200 for equipment and alterations required at the Chowghat distillery. All other expenses connected with the experiment will be borne by Messrs. Parry & Co. If the experiment is successful, the excise duty accruing to Government will be between Rs. 44,200 and Rs. 88,400. If it proves to be a failure, the actual cost and expenses of manufacture incurred by Messrs. Parry & Co., are to be refunded to them by Government. The Commissioners' report shows that the experiment is well worth a trial. Messrs. Parry & Co. want an answer before 30th September or by 31st October at the latest. The remarks of Finance may be invited before circulation.

P. K. GNANASUNDARA MUDALIYAR—11-9-33.

The Commissioner recants the view expressed by his predecessor (Mr. Moore) in 1927—top of page 19 of G.O. No. 2028, Revenue, dated 15th October 1927. I think Mr. Thomas is right.

2. What the South Kanara folk want is a cashew distillery in the district. But clearly the existing distillery at Chowghat in Malabar is the right place for the experiment. It is within my own knowledge that cashew grows profusely in the neighbourhood : and the distillery can be used for the purpose at trifling extra cost.

3. The reports of Mangalore Connoisseurs on the laboratory sample are enthusiastic.

4. The figure of Rs. 88,393 is arrived at as follows :—

The Liquor being 30° under proof, the duty is Rs. 6-3-0 per 70 parts. This gives Rs. 8-84 nearly for 100 parts, i.e., one gallon. Hence Rs. 88,393 for 10,000 gallons.

5. The proposals may be accepted. If they are to be treated as a Part II scheme and placed before the Finance Committee the experiment cannot apparently, be conducted this year. Finance will no doubt advice as to the procedure.

J. A. THORNE—11-9-33.

FINANCE (EXPENDITURE) DEPARTMENT.

During the last budget discussions on the ' Excise ' demand the Hon'ble the Third Minister undertook to investigate the question of manufacturing liquor from cashew fruits on the west coast. It is now proposed, as an experimental measure, to authorize Messrs. Parry & Co. the lessees of the Government distillery, Chowghat, to distil cashew arrack during the ensuing season and to issue it for sale in Mangalore town and taluk. It is

considered that the effect of permitting the manufacture of licit liquor from cashew fruits might discourage illicit distillation now being carried on on a large scale in the South Kanara district.

2. The conditions subject to which the company have agreed to undertake the experiment are given in their letter, dated 30th August 1933.

The immediate cost to Government is Rs. 3,200 for equipment and alterations required for temporarily adapting the Chowghat distillery for the manufacture of cashew arrack. The other expenses connected with the distillation will be by Messrs. Parry & Co.

It is anticipated that if the experiment is successful there will be an additional revenue to Government from excise duty, ranging between Rs. 44,200 and Rs. 88,400 per annum, the actual amount depending on the quantity of liquor manufactured. If, however, the experiment proves a failure, Messrs. Parry & Co. will have to be compensated for the loss incurred by them.

Submitted that the proposals may be accepted.

3. As the proposal involves an expenditure the like of which had not been incurred in the past, it constitutes a 'new service' requiring the vote of the Legislative Council. It will ordinarily have to be treated as a Part II scheme for 1934–35. If this is done, the experiment can be made only in March, April and May 1935. In view of the likely increase in revenue to Government, Finance may advise that a supplementary grant may be obtained so that the actual distillation may commence in March 1934. The demand need be only for a token sum of Rs. 100 as it should be possible to meet the small expenditure of Rs. 3,200 from the sanctioned grant for the Excise department.

V.V.—20–9–33. C. A. SUNDARAM AYYAR—20–9–33.

C-4 may see.

H. M. HOOD—21–9–33.

REVENUE DEPARTMENT.

Submitted for orders.

P. K. GNANASUNDARA MUDALIYAR—21–9–33.

J. A. THORNE—22–9–33.

The proposals seem all right and are accepted.

I should prefer to have them put through in the normal course as a Part II scheme. A supplemental demand in sure to provoke a good deal of opposition in the Legislative Council and I am not sure if it is worth while to raise all that storm.

S. K[UMARASWAMI REDDIYAR]—22–9–33.

Very well. But how is licit cashew arrack to be distinguished from illicit? This was Mr. Moore's chief point, and I do not see any proposals for meeting it.

H. G. S[TOKES]—23–9–33.

Draft.

J.A.T.—23–9–33.

A draft official memorandum to the Commissioner of Excise is submitted for approval.

P.T.—26–9–33. D.T.—26–9–33. P.K.G.—26–9–33.

J.A.T.—26–9–33.

S. K[UMARASWAMI REDDIYAR]—26–9–33.

Issue.

J.A.T.—26–9–33.

[Issued as Official Memorandum No. 2784-D/33-3, dated 28th September 1933.]

From the Commissioner of Excise, dated 4th October 1933, *No. C.R.* 5609-*Abk.*

Please see Hon'ble Member C-4's note, dated 23rd September 1933, official memorandum to Commissioner, dated 28th September 1933, and the Commissioner's reply, dated 4th October 1933.

2. In the circumstances reported by the Commissioner of Excise it is for orders whether his view that there will be no special difficulty in distinguishing licit from illicit liquor will be accepted.

There will be no more difficulty, apparently, than there is now in distinguishing licit arrack from illicit arrack distilled from the same material as licit arrack.

J.A.T.—12-10-33.

3. As presumed by the Commissioner of Excise in paragraph 2 of his reference, dated 4th October 1933, the expenditure necessary for adapting Chowghat distillery for manufacture of cashew arrack can be incurred only after April 1934, and that the work of distillation can be started only from March 1935.

4. A draft note for the Finance Committee for considering the proposal as a Part II scheme for 1934-35 is put up. It may be sent to the Finance Department for adding their note.

5. It appears that a provision of Rs. 3,200 should be made under 'Petty Construction and Repairs—Voted' to be opened under "6. c. Excise—Distilleries—Transferred—D. Other Charges." Finance Department may be requested to advise.

P.T.—10-10-33. D.T.—10-10-33. P. K. GNANASUNDARA MUDALIYAR—11-10-33.

J. A. THORNE—12-10-33.

FINANCE (B.E. IV) DEPARTMENT.

Paragraph 5 of the Revenue Department's notes above.—The details of expenditure for Rs. 3,200 are given in Enclosure C. It will be seen therefrom that a large portion of the amount will be spent on the purchase of materials and on contingencies. It is therefore submitted that the whole sum of Rs. 3,200 may be shown under the detailed head 'Supplies and Services' under "6. c. Excise—Distilleries—Transferred—D. Other Charges".

Subject to above remarks the draft note for the Finance Committee may be accepted and the following added as note by this department :—

"The proposal may be placed before the Finance Committee as a Part II scheme for 1934-35."

A.K.—13-10-33. C. A. SUNDARAM AYYAR—13-10-33.

H. M. HOOD—16-10-33.

REVENUE DEPARTMENT.

The amendment relating to the detailed budget head to which the expenditure of Rs. 3,200 should be debited and the addition to the note suggested in the Finance Department's note, dated 16th October 1933, have been made in the note for the Finance Committee. The note is submitted for approval.

D.T.—19-10-33.

P.K.G.—20-10-33.

J.A.T.—20-10-33.

S. K[UMARASWAMI REDDIYAR]—22-10-33.

H. G. S[TOKES]—23-10-33.

Issue.

J.A.T.—23-10-33.

REVENUE DEPARTMENT.

NOTE FOR THE FINANCE COMMITTEE.

PART II SCHEME FOR 1934-35.

[SUBJECT.—*Cashew arrack—South Kanara—Experimental distillation and sale—Proposals.*]

Summary.

Head of account.	Item of expenditure.	Ultimate cost.	Cost during 1934-35.
6. c. Excise—Distilleries—Transferred—D. Other charges—Supplies and Services—Voted.	Expenditure in Chowghat distillery for manufacture of cashew arrack on an experimental basis.	Rs. 3,200	Rs. 3,200

NOTE BY THE REVENUE DEPARTMENT.

Cashew arrack distilled from the fruit of the cashew tree which grows in profusion in the Mangalore and Kasaragod taluks of the South Kanara district and also in other areas of the West Coast districts is the traditional drink of a section of the public in the South Kanara district. This arrack is consumed mainly in Mangalore, Kasaragod and Karkal taluks; and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed

that complete success has attended the preventive activities of the Excise department. As cashew arrack is preferred to any other drink in these areas, and as it has proved impossible to prevent its illicit manufacture, the question of legalising its manufacture was considered in 1891, 1900–01 and in 1915. In 1915, the Board of Revenue was favourably inclined towards the proposal, and Messrs. Parry & Co., the contract suppliers of molasses arrack to the South Kanara district, were asked to undertake the experimental distillation of cashew arrack at the Government distillery at Chowghat. But effect could not be given to this suggestion as it was impossible in war time to get the copper required for a still, and the proposal was dropped for a year and was not subsequently revived. Recently some members of the Legislative Council have urged the desirability of supplying licit cashew arrack, and during the last budget debate the Government stated that the matter would be considered. The Commissioner of Excise to whom the question was referred recommends the supply of licit cashew arrack in the South Kanara district where a section of the population strongly desire it, believing that it has peculiar medicinal properties. The arrack is widely used for women before, at, and after child-birth. The best efforts of the Excise department have been unavailing to prevent or even reduce materially the systematic illicit distillation of cashew arrack. Detection of cases of illicit possession and illicit distillation of this arrack covers only a small percentage of such cases. In a densely wooded district like South Kanara cut up by numerous backwaters and navigable rivers it is very easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who are supplying a public requirement. Cashew arrack can be obtained at almost any period of the year, though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner of Excise for these reasons considers that from the revenue point of view much legitimate revenue must have been lost by the failure to give the South Kanara public the drink that they want and will have, and that from the moral point of view it is bad that men, law abiding in every other respect, should be impelled to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worth while to make an experiment by which licit cashew arrack would be made obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co. It would be sold under precisely the same conditions as molasses arrack, that is, as a country liquor, in arrack shops, which will sell both kinds of arrack. The object of the proposed experiment is to test whether there is a legitimate demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant, and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption.

The Commissioner had a small quantity of cashew fruits distilled in his laboratory and sent the arrack to the Excise Inspector, Mangalore, with instructions to get it tried by some connoisseurs of this beverage. The reports of these connoisseurs on the laboratory sample are favourable.

The Commissioner proposes that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore. Messrs. Parry & Co. have agreed to the proposal subject to certain conditions, the more important of them being—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company will, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

If the experiment is successful, the excise duty accruing to Government should be between Rs. 44,200 and Rs. 88,400. The Commissioner of Excise believes that the experiment can be made perhaps at a profit, most probably at no cost to the Government, and that the initial expenditure involved, viz., Rs. 3,200, under the scheme will be recouped by the duty recovered. It is proposed to accept the Commissioner's recommendation and to provide funds for the purpose in the Budget Estimate for 1934-35.

J. A. THORNE—12-10-33.

NOTE BY THE FINANCE DEPARTMENT.

The proposal may be placed before the Finance Committee as a Part II Scheme for 1934-35.

H. M. HOOD—16-10-33.

The note for the Finance Committee has been printed. Thirty copies of the note may be sent to the Finance Department. A draft G.O. note is submitted for approval.

P.T.—31-10-33. D.T.—31-10-33. P. K GNANASUNDARA MUDALIYAR—1-11-33.

FINANCE (BUDGET-GENERAL) DEPARTMENT.

G.O. Note No. 35928 (B.G.)-16, dated 11th January 1934.

[Meeting of the Finance Committee—10th January 1934—Recommendations.—
Reference.—G.O. Note No. 35928-B.G.-7, dated 26th December 1933.]

At the meeting held on the 10th January 1934, the Finance Committee considered the Part II schemes for 1934-35 relating to the Development Department (except Forest and Veterinary schemes considered on the 8th January 1934) and the Revenue Department and made the following recommendations :—

* * * * * *

REVENUE DEPARTMENT.

6. *Excise.*—Item (1), (2) and (4) to (6) were placed in class II. Item (3) was placed in class III.

	Ultimate cost.	Cost during 1934-35.
6 Experimental distillation of cashew arrack for sale in the South Kanara district	3,200	3,200

S. A. VENKATARAMAN,
Deputy Secretary.

Please see the recommendation of the Finance Committee. They have placed the * scheme in class II (schemes that are very urgently necessary). Necessary provision for the scheme will be made by the Finance Department in the budget estimate for 1934-35. The classification of the Finance Committee may be accepted in this Department. (Orders sanctioning the scheme will be issued as soon as the budget has been voted by the Legislative Council.)

* Experimental distillation of cashew arrack for sale in the South Kanara district.

P.T.—15-1-34. D.T.—15-1-34. P.K.G.—16-1-34.

An unexpected success.

J.A.T.—16-1-34.

Possibly the result of Mr. Shreshta's lobbying.

S. K[UMARASWAMI REDDIYAR]—17-1-34.

NOTES TO G.O. No. 673, REVENUE, 4TH APRIL 1934

COUNCIL OFFICE.

Voting of demands for grants, 1934–35.

The undermentioned departments of the Secretariat may be informed that the following demands for grants were carried by the Council on the dates noted against each :—

Demand No,	Amount of appropriation.	Amount reduced.	Date
II. Excise-Transferred	30,82,000	Nil	10th March 1934

* * * * * *

D. K. V. RAGHAVA VARMA—15-3-34.

REVENUE DEPARTMENT.

The excise budget was noted by the Legislative Council without a cut on 10th March 1934.

2. The proposals of the Commissioner of Excise that should be sanctioned by the Government are briefly—

(1) that Messrs. Parry & Co. who are the contract suppliers of molasses arrack for South Kanara should be asked to distil as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore;

(2) that the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling the arrack from cashew fruits estimated at Rs. 3,200 should be borne by the Government; all other expenses in connexion with the experiment being borne by the company;

(3) that in the event of the arrack becoming unsaleable for any reason beyond the control of the company, the actual cost and expenses of manufacture should be refunded to the company by the Government and the company should, if required, sell all temporary equipment on behalf of the Government for the best price obtainable.

3. The Commissioner has already pointed out that the distillation of cashew arrack cannot be started this season, i.e., March, April and May 1934 and if sanctioned by the Government has to be started only from March 1935.

4. A draft order sanctioning the Commissioner's proposals is submitted for approval It may be sent to the Finance Department for acceptance.

P.T.—20-3-34. D.T.—21-3-34. P. K. GNANASUNDARA MUDALIYAR—22-3-34.

J. A. THORNE—22-3-34.

FINANCE (EXPENDITURE) DEPARTMENT.

The draft order may be accepted.

T. A. SRINIVASARAGHAVA AYYANGAR—27-3-34.

C. A. SUNDARAM AYYAR—27-3-34.

H. M. HOOD—28-3-34.

REVENUE DEPARTMENT.

The draft may issue.

P.K.G.—29-3-34.

J.A.T.—29-3-34.

S. K[UMARASWAMI REDDIYAR]—31-3-34.

Issue.

J.A.T.—4-4-34.

[G.O. No. 673, Revenue, dated 4th April 1934.]

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

* * * * * *

II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

* * * * * *

4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

Records.

J. A. THORNE—16-5-33.

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

IV

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. Thomas, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr .W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until " some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System : and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote : " I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21–14–0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. Brito,
Secretary.

Enclosure A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

Enclosure C.

	Rs.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

ENCLOSURE D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.

In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under "6. c. Excise—Distilleries—Transferred."

(By order of the Government, Ministry of Education and Excise)

J. A. THORNE,
Secretary to Government.

To the Commissioner of Excise.
" Accountant-General, through Finance.
" Finance Department.

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

* * * * * *

II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

* * * * * *

4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

~~Records.~~

~~J. A. THORNE—16-5-33.~~

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

IV

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr. W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until " some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System : and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote : " I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21–14–0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. BRITO,
Secretary.

ENCLOSURE A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

ENCLOSURE C.

	RS.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental listillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

Enclosure D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to take the experiment or not, in order to allow time for us to arrange for stock Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.
In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

Order—No. 673. Revenue, dated 4th April 1934.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co.; the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under " 6. c. Excise—Distilleries—Transferred."

(By order of the Government, Ministry of Education and Excise)

J. A. THORNE,
Secretary to

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

* * * * * *

II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

* * * * * *

4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

~~Records.~~
~~J. A. THORNE—10-5-33.~~

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew-fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr. W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until, " some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System : and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote : "I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived

Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21-14-0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. Brito,
Secretary.

Enclosure A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

Enclosure C.

	Rs.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 stere vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

Enclosure D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) would be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.
In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., C.I.E., I.C.S.,

Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of casnew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

Order—No. 673, Revenue, dated 4th April 193

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :-

1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under " 6. c. Excise—Distilleries—Transferred.

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand 11—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

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II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

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4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Solaco, retired Health Officer, and carried unanimously.

~~Records.~~
~~J. A. Thomas. 16-5-33.~~

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr. W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until "some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System: and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote: "I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget session Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21-14-0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves; one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. BRITO,
Secretary.

ENCLOSURE A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

ENCLOSURE C.

	RS.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above	85	0	0
(11) Locking cover, say	)	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves, (the, lot)		0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump		0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	5	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation., Washing out, heat treating to remove copper soap re-fitting and painting.	50	0	0
(18) Cost of cleaning out receivers and No. 7 storage vat and re-waxing			
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it			
(20) Contingencies	200	0	0
	3,208	13	

ENCLOSURE D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore warehouse if 10,000 proof gallons are manufactured during the season at Chowghat

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.

In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. Thorne,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. Thomas, Esq., C.I.E., I.C.S.,

Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of casnew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. Brito,
Secretary.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being:-

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934-35 under " 6. c. Excise—Distilleries—Transferred."

Government of Madras

REVENUE DEPARTMENT

G.O. No. 673, 4th April 1934

Excise—Cashew arrack—South Kanara—Experimental distillation and sale—Commissioner's proposals—Sanctioned.

READ—the following papers :—

I

Extract of paragraphs 1 and 3 of Official Memorandum to the Commissioner of Excise No. 1453-D/33-2, dated 22nd May 1933.

[Excise—Budget—1933-34—Demand II—Excise—Transferred—Proceedings of the Legislative Council, dated 13th March 1933.]

The attention of the Commissioner of Excise is invited to the proceedings of the Madras Legislative Council, dated 13th March 1933, which contain the observations of the members of the Council on the excise policy of the Government and the reply given by the Hon'ble the Minister for Excise. The Commissioner is requested to report on the following points :—

* * * * * *

3. *Manufacture of liquor from cashew fruits in the South Kanara district.*—In 1927, the Commissioner of Excise (Mr. P. L. Moore) stated that if arrack was allowed to be manufactured out of cashew fruits, there would be a considerable fall in revenue and increase in illicit distillation, as it would be extremely difficult to differentiate between the licit and illicit liquor and consequently it would not be easy to detect illicit practices—vide Proceedings of the Commissioner R. No. 1986, Abk., dated 16th September 1927. The Government understand, however, that illicit distillation from cashew fruits is actually carried on on a large scale in the South Kanara district and that the effect of permitting the manufacture of licit liquor from cashew fruits might be rather to discourage illicit distillation than to encourage it. The Commissioner is requested to investigate the question fully and to submit detailed proposals on the subject for the consideration of the Government.

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II

Extract of paragraph 4 of Proceedings from the Commissioner of Excise, R. No. 982, Abkari, dated 11th June 1933.

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4. *Paragraph 3 of the Government Memorandum—Manufacture of liquor from cashew fruits in the South Kanara district.*—The Commissioner is already examining the possibilities in this direction. A separate report will be submitted in due course.

III

Letter from M.R.Ry. Rao Sahib A. L. PINTO, B.A., Office of the Catholic Association of South Kanara, Mangalore, dated 12th May 1933.

I forward herewith for favour of necessary action a copy of the resolution passed by the General Council of this Association. It was moved by Mr. M. S. Sreshta, M.L.C., seconded by Mr. F. P. S. Albuquerque, tile merchant, and supported by Rao Sahib Dr. D. R. Colaco, retired Health Officer, and carried unanimously.

Records.

J. A. THORNE—16-5-33.

ENCLOSURE.

Resolution of the Catholic Association.

Resolved that this Council recommends to Government the early issue of a licence for the establishment of a distillery in South Kanara district which, in the opinion of the Council, will be the most effective measure for checking the illicit manufacture of arrack now prevailing,

will add a new industry utilizing toddy and cashew fruit mostly going to waste, promoting the cultivation of cashew trees on waste lands now yielding no income and providing employment to a large number of persons and thus affording some relief in these days of economic depression, and will further provide a new source of revenue by diverting to Government the profits going to illicit distillers of arrack and that the Council is of opinion that the establishment of a distillery outside the South Kanara district which is the main cashew-producing area will defeat the object of the project.

IV

Memorandum to the Commissioner of Excise, No. 1752-D/33-1, dated 23rd May 1933.

[Excise—(South Kanara)—Establishment of a distillery—Resolution passed by the General Council of the Catholic Association of South Kanara, Mangalore. Letter from the Honorary Secretary, dated 12th May 1933.]

A copy of the letter and resolution referred to above is forwarded to the Commissioner of Excise for information in continuation of Government Memorandum No. 1453 D/33-2, dated 22nd May 1933.

V

Reference from the Commissioner of Excise, dated 31st August 1933, C.R. No. 5609-Abk.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

Cashew arrack distilled from the fruit of the cashew-tree, which grows wild in profusion in Mangalore and Kasaragod taluks of South Kanara and also in other areas of the West Coast districts, is the traditional drink of the Roman Catholic community in South Kanara and of other castes also. The consumption is mainly in Mangalore, Kasaragod and Karkal taluks and though the manufacture of cashew arrack has been prohibited for a very long time, it cannot be claimed that any real success has attended the preventive activities of the Excise Department.

2. This was recognized as long ago as 1891. Mr .W. O. Horne who was then Deputy Commissioner, Southern Division, reported that it was impossible to keep this class of offence in check and recommended the legalization of its manufacture. This was before the introduction of the Contract Distillery System. The Board in Separate Revenue, considered the question of legalizing its manufacture in view of the facts that it was preferred by the drinking public, and, in particular, those of the drinking public who come from the Roman Catholic community, to any other drink and to the real impossibility of preventing its illicit manufacture, but decided that the question should be deferred until "some advance had been made towards the introduction of Excise," i.e., until the obsolescent still-head system under which licences were granted for the manufacture and sale of arrack in particular areas was replaced by the Contract Distillery System: and the matter was dropped for the time.

3. The question was next considered in 1900–01, but only to be dropped in view of the difficulties involved. In 1915, the Collector Mr. M. E. Couchman submitted a strong recommendation that the distillation of cashew arrack should be legalized. He wrote: "I am in favour of the experiment being tried. A long succession of different authorities have given it as their opinion that the manufacture of cashew arrack will never be suppressed. The attempt to suppress it merely gives rise to a great volume of abkari crime, with all its attendant friction and ill-feeling against Government. Its legalization would add considerably to the cultivation of the tree, and give a value to the fruit, which is at present a waste product, and increase the production of the nut, already a valuable article of commerce. It would also remove a long-standing grievance. If Mr. Travers Drapes is right in thinking that licit arrack could be unfailingly distinguished from illicit, by colouring or by removing the peculiar smell, I see no difficulty in connexion with the control of the manufacture which could not be overcome." The Board in Separate Revenue (Mr. N. S. Brodie) was favourably inclined towards the proposal and the contract suppliers, Messrs. Parry & Co., were asked to undertake experimental distillation of cashew arrack at the Government Distillery at Chowghat, then and now leased by the firm for the manufacture of coconut toddy arrack classed and excised as a locally manufactured foreign liquor. But effect could not be given to this suggestion owing to the impossibility of getting the copper required for a still in war time. The proposal was dropped for a year and not subsequently revived.

4. Within recent years the supply of licit cashew arrack has several times been put forward by the Christian Members for South Kanara of the Legislative Council and the Commissioner recollects that to a question put during the last Budget Debate the Government replied that the matter would be considered.

5. The Commissioner must admit at once that strong grounds are required for giving South Kanara the differential treatment in regard to the supply of arrack which will be involved in providing a licit supply of cashew arrack. The strong reasons are these :-

The Roman Catholic community and, to perhaps a lesser degree, some of the Hindu castes are convinced that cashew arrack has peculiar medicinal properties. This arrack is widely used for women before, at and after child birth. For this and, no doubt, other reasons it has been for many decades, perhaps centuries, the habitual drink of these communities. The best efforts of the department have been unavailing to prevent or even reduce materially the systematic distillation of cashew fruit. Detection of cases of illicit possession and illicit distillation of this arrack represents only a small percentage of the cases of distillation and possession. Please see statement of illicit distillation detection for five years (Enclosure A). How small is a matter of conjecture, but the Commissioner believes that it is less than 5 per cent and certainly not more. In a densely wooded district like South Kanara cut up by numerous back-waters and navigable rivers, it is absurdly easy for the distiller to escape the notice of the preventive officer. The sympathy of the public is with the distillers who after all are supplying a public requirement. It is no exaggeration to state that amongst the most respectable and law-abiding citizens of the district there are very many who regard the possession of illicit cashew arrack in breach of the law and the support of the actual illicit distillers as no offence. The position has no parallel so far as the Commissioner knows anywhere in the Presidency and recalls closely the position that is believed to exist in a great friendly nation where the most esteemed members of the community have adequate facilities for obtaining prohibited alcohol, while they have no respect for the legal prohibition of alcohol and regularly break the law with impunity. It is notorious that cashew arrack can be had at almost any period of the year though the raw material, which cannot be preserved, is obtainable only for about three months before the monsoon. The Commissioner was told only the other day of most respectable members of the community who claimed to be able to get a bottle at any time. In short, the public conscience does not consider it wrong that cashew arrack should be distilled illicitly and drunk illicitly.

6. There is probably a greater supply of the raw material available now than ever before owing to the large increase in the demand for the cashew nut during the last decade for curing and export overseas : and it is as true to-day as it was forty-three years ago, that the Excise Department is unable to do more than nibble at the problem of prevention.

7. The problem has been stated : it cannot be solved by doing nothing or ignoring it. From the revenue point of view much legitimate revenue must have been lost by the failure or inability to give the South Kanara public the spirit they want and will have : from the moral point of view it is wholly bad that men respectable and law-abiding in every other respect should be forced to break and to connive at the breaking of this item in the fiscal laws. The Commissioner thinks that it is now worthwhile to make an experiment at least to meet the demand for cashew arrack. If such an experiment is to be made, it seems essential that licit cashew arrack should be obtainable with the same readiness and, to start with, at much the same price as the licit molasses arrack now supplied by the Contract Distillers, Messrs. Parry & Co. The whole object of his proposal would be defeated if cashew arrack should be listed as a foreign liquor and excised at Rs. 21-14-0 per proof gallon, the rate at present in force for locally manufactured foreign liquor. To charge so high an excise would continue the premium on illicit distillation. The object of the proposed experiment is to find out whether there is a market at a reasonable price for licit cashew arrack and whether the marketing of such arrack will have any effect in increasing revenue and reducing crime. It should be on sale under precisely the same conditions as molasses arrack, viz., as a country liquor sold in the arrack shops, which will sell both kinds of arrack and the limit of possession, four drams, will be the same for both. The present proposal is to test the legitimate demand for cashew arrack in the Mangalore taluk where it is understood that the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and, therefore, untaxed article of consumption.

8. The Commissioner believes that the experiment on this limited scale can be made perhaps at a profit, most probably at no cost to Government, and that the initial expenditure involved under the scheme, to be detailed below, will be recouped by the duty recovered.

9. The first step taken was to try to learn something of the technique of distillation from cashew fruit. For this purpose during the cashew season a small quantity of fruit was obtained from South Kanara and distilled on a laboratory scale in the Board's Laboratory. A small quantity of the spirit thus distilled was sent to the Inspector, Mangalore,

with instructions to get it tried by some connoisseurs of this beverage. His report and the appreciations recorded are annexed in a confidential cover (Enclosure B *) and deserve perusal. After the experiments were made and appeared to be successful, the question of manufacture at the Government Distillery, Chowghat, was discussed with the lessees, Messrs. Parry & Co., who are also the contract suppliers of molasses arrack for South Kanara. It has been found possible owing to the fall in the demand for coconut toddy arrack which is distilled at Chowghat, and nowhere else, to use the distillery during the cashew season for an experimental distillation of cashew arrack. It has been ascertained that sufficient fruit will be available locally for the purpose and provided Government approve these proposals and subject to certain conditions the company have agreed to distil as much cashew arrack as they can, while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore.

10. The Commissioner proposes that this arrack should be marketed at 30° U.P. in order to distinguish it from molasses arrack issued at 35° U.P. and to excise it at a rate equivalent to the excise on 35° U.P. molasses arrack Rs. 5–12–0, viz., Rs. 6–3–0 per gallon of 30° U.P.

11. The technique of distilling from this base on a large scale has to be found out by trial and, no doubt, difficulties will be met and will have to be overcome. There is at present for obvious reasons no certainty as to the cost of the raw material delivered at the distillery. The distillery plant will have to be adapted to distillation from this new base and provision made for storage of the daily receipts of fruit and for expressing the juice, while the efficiency in working of the arrangements proposed cannot be guaranteed. As this is an experiment to be made on behalf of Government, Messrs. Parry & Co., can claim with some reason that Government should provide for the expenditure which will have to be incurred in adapting Chowghat Distillery. This will amount approximately to Rs. 3,200—vide statement enclosed (Enclosure C). The whole estimate has been carefully checked by the Assistant Commissioner for Distilleries and so far as can be seen is reasonable. It is proposed that the distillers should carry out the work and be paid on bills for actual expenditure incurred. This is a sensible proposal and has the Commissioner's support, as they have experience of fitting up distillery plant. As regards the issue price to be allowed to the distillers, there are no reliable data on which either the Commissioner or the distillers themselves can base an estimate. Until they call for tenders for the supply of cashew fruit the distillers will have no information as to what this will cost them. Expecting, however, that they will be able to get 10 lb. of fresh fruit for an anna and that they will be able to distil 10,000 proof gallons they quote Rs. 2 per gallon of 30° U.P. liquor ex-Mangalore warehouse. But if through failure to get adequate supplies of fruit from whatever cause or owing to at present unforeseen difficulties arising in the process of distillation the outturn is less they require as their letter (Enclosure D) shows a higher price rising to Rs. 2–12–0 per gallon on an outturn of 5,000 proof gallons subject to a further increase or decrease of 4 annas a gallon of 30° U.P. for every 3 pies above or below 1 anna per 10 lb. of fruit delivered at Chowghat. This seems to be a fair basis of cost for an experimental distillation from cashew fruit which has not hitherto been handled for distilling on a commercial scale. The distillers will keep accounts of their costs and if the experiment turns out satisfactorily and it is decided to continue it on a larger scale the information as to costs of manufacture will be made available to the department for the purpose of settling the issue price to the distillers for future operations. Subject to Government's approval the Commissioner proposes that the issue price per gallon should be retained during the currency of the experiment at Rs. 2 distillers' price ex-warehouse plus Rs. 6–3–0, excise—Total Rs. 8–3–0. It is important for the purposes of this experiment that a stable and reasonable price should be charged to the expected consumers during the currency of the experiment. If the higher rates proposed turn out in practice to be chargeable the duty will be reduced by the amount of the surcharge on cost of manufacture and paid to the distillers when accounts are settled. The other conditions stated in their letter (Enclosure D) of 30th August 1933 seem equally reasonable, but the Commissioner feels no apprehension that the moderate amount of 10,000 proof gallons, if manufactured, will not be sold readily if the quality is what the consumers expect, and the distillers and the distillery officers will spare no pains to ensure this. Assuming that the liquor will be found saleable, the financial results may now be indicated. On the maximum outturn of 10,000 proof gallons expected with fruit purchased at 10 lb. for 1 anna the duty accruing to Government will be in round figures Rs. 88,393. On the minimum output with fruit at the same price the duty accruing will be Rs. 44,192. If the price of fruit ex-distillery exceeds the preliminary estimate of 1 anna per 10 lb., the duty to be realized will be reduced proportionately, but at the worst the experiment will

more than pay for itself. There may be some fall in the issues of molasses arrack, but the quantity cannot be estimated, for it is assumed that licit cashew arrack will largely displace illicit arrack so that the market for molasses arrack will not be seriously affected.

12. Assuming that the experiment is undertaken and proves successful, what will be the next step? Two possibilities suggest themselves, one that the Chowghat Distillery should be enlarged with a view to a larger output: the other, that a distillery for the manufacture of cashew arrack should be located in the district where the arrack is sold. With the present small demand for coconut toddy arrack it is possible to switch over the Chowghat distillery to cashew during the short cashew fruit season and change back to coconut toddy arrack afterwards: it should still be possible to economize excise staff and distillers' overheads with an enlarged distillery sufficient to cope with the quantity of fruit locally available. If it turns out that the demand in South Kanara cannot be met from Chowghat, it may be necessary hereafter to put up a distillery at Mangalore or near it with sufficient capacity to produce enough arrack in the short cashew season (three months) to manufacture and store a year's requirements. This will involve a considerable lock up in plant and in storage vats and will undoubtedly add greatly to the cost of the liquor, and, though it does not at present seem necessary to look so far ahead, it seems unlikely that any private enterprise will find the capital involved except on a guarantee of a contract for distillation of cashew for a long term of years and for liberty to distil arrack, potable or industrial, from other bases, e.g., jaggery, molasses or toddy, out of the cashew season. There is, in the Commissioner's opinion, good reason to defer to the admitted taste for cashew in arrack consumers of South Kanara: no good reason exists for departing from the policy of Government for a long series of years which has been to treat coconut toddy arrack as a foreign liquor and to restrict the production of country spirit to contract distilleries for which the base of distillation is fixed, having regard to the raw material available in each.

13. The present proposal is frankly experimental and is one which, for the reasons stated in the earlier part of this reference, the Commissioner thinks well worth making: with the view of supplying an alcohol the public wants and cannot get without breaking the law and of withdrawing the undoubted stimulus, which exists and cannot be checked, to widespread illicit distillation.

14. The company require an answer, if possible, by the end of September and at the latest by the end of October in order that if Government approve this proposal they may reorganize the distillery at Chowghat in time for the next cashew season and also store by then, sufficient coconut toddy arrack for their probable requirements.

E. BRITO,
Secretary.

ENCLOSURE A.

Statement showing the number of cases of illicit distillation of liquor from cashew fruits detected in South Kanara district for five years.

Year.	Number.	Year.	Number.
1926–27	... 91	1929–30	... 172
1927–28	... 142	1930–31	... 189
1928–29	... 136		

ENCLOSURE C.

	RS.	A.	P.
(1) One platform scale 5 cwt. to weigh fruit	150	0	0
(2) Cadjan fruit store, floor area 50 feet by 38 feet	104	2	0
(3) Cadjan roof over fruit press, floor area 30 feet by 12 feet ...	27	10	0
(4) Cadjan wash-back shed, 50 feet by 33 feet	95	7	0
(5) Cost of 125 by 50 gallon oak hogsheads to be used as wash-backs at Rs. 8 each	1,000	0	0
(6) Provisional cost of two fruit presses and wooden platform ...	1,000	0	0
(7) Provisional cost of one wooden tank or vat to be placed under fruit press platform for collection of juice and trampling of fruit in an emergency	300	0	0
(8) Cost of 25 galvanized iron buckets 3½ gallons capacity at 12 annas each	18	12	0
(9) Cost of removing the discharge cock from No. 1 still and fitting in its place a flange with a plug to facilitate discharge of thick spent wash	10	0	0

	Rs.	A.	P.
(10) Cost of 2 flanges and plugs (1 stand-by set) as in (8) above ...	85	0	0
(11) Locking cover, say	10	0	0
(12) Cost of piping and cocks to connect Nos. 1 and 2 stills to all three receivers (including) 20 feet 1¼-inch copper pipe and four valves (the lot)	60	0	0
(13) Cost of disconnecting and removing piping connecting No. 7 store vat to warehouse spirit pump	5	0	0
(14) Cost of fitting 6 feet of 1¼-inch copper pipe to discharge from No. 7 vat with cock complete with lock for filling casks.	15	0	0
(15) Cost of making a pit with rolling ramp to permit casks to be filled from No. 7 store vat	5	0	0
(16) Cost of cleaning and waxing receivers (1), (2) and (3) and No. 7 store-vat	25	0	0
(17) Cost of dismantling all piping and pump through which cashew spirit has passed after completion of experimental distillation. Washing out, heat treating to remove copper soap re-fitting and painting	50	0	0
(18)) Cost of cleaning out receivers and No. 7 storage vat and re-waxing	25	0	0
(19) Cost of removing existing cadjan cooper's shed and re-erecting it to the north-east or west of the distillery and 20 yards away from it	22	14	0
(20) Contingencies	200	0	0
	3,208	13	0

Enclosure D.

Letter from Messrs. Parry & Co., Madras, to the Secretary to the Commissioner of Excise, dated the 30th August 1933.

We have the honour to acknowledge receipt of the Commissioner's Proceedings C.R. No. 5609/Abk., dated 7th August 1933, and beg to state that we are willing to manufacture cashew arrack as an experiment next season on the following lines:—

(1) The experiment will be carried out at Chowghat distillery during March, April and May 1934, on the plan outlined in the Assistant Commissioner of Distilleries' note and the proceedings of the Commissioner of Excise referred to above.

(2) It is requested that we should be informed not later than the 30th of September 1933 or at the latest by the 31st of October 1933 whether we shall be required to make the experiment or not, in order to allow time for us to arrange for stock of Malabar arrack and necessary alterations and equipment at the distillery.

(3) The cost of equipment and alterations necessary as per estimate (Enclosure C) should be paid to us by Government against bills for actual expenses to be submitted by us.

(4) All other expenses in connexion with the experiment to be borne by us subject to paragraph 7 below. The experiment to be supervised and controlled under the rules at present in force at Chowghat distillery.

(5) We understand that issue strength of Cashew Arrack at Mangalore Warehouse will be 30° U.P.

that all wastage allowances will be on the same scale as present allowances on Molasses arrack, and

that cashew arrack will be issued under exactly the same rules as at present in force for the issue of Molasses arrack in Mangalore town and taluk.

(6) We estimate the maximum quantity of cashew arrack that can be manufactured at Chowghat next season is about 10,000 proof gallons.

(7) We have endeavoured to estimate the probable costs of distilling cashew arrack but owing to the numerous difficulties which may arise in respect of supplies of cashew fruit, which has never been handled on a commercial scale, we regret we cannot offer one fixed rate per gallon. We quote as follows:—

Rupees 2 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 10,000 proof gallons are manufactured during the season at Chowghat.

Rupees 2–6–0 per gallon of 30° U.P. cashew arrack ex our Mangalore Warehouse if 7,500 proof gallons.

Rupees 2–12–0 per gallon of 30° U.P. cahew arrack ex our Mangalore Warehouse if 5,000 proof gallons.

The above rates to be increased or decreased by 4 annas per gallon of 30° U.P. for every 3 pies paid by us above or below one anna per unit of 10 lb. of fruit delivered at Chowghat.

(8) We submit therefore that sales should be made at Rs. 2 and at the end of the season any increase or decrease according to paragraph 7 should be adjusted by the Commissioner.

(9) If any reduction in the above selling rate is necessary in order to clear our stocks, the duty to be reduced accordingly.

In the event of the spirit being unsaleable for any reason beyond our control, the actual cost and expenses of manufacture to be refunded to us by Government.

(10) When the experiment is over we will, if required, sell all temporary equipment as per Enclosure C on behalf of Government for the best prices obtainable.

(11) We will keep complete and detailed accounts of the experiment and these will be available to the Commissioner of Excise for inspection at any time.

VI

Official Memorandum No. 2784-D/33-3, Revenue, dated 28th September 1933.

[Excise—South Kanara—Manufacture of liquor from cashew fruits—Experiment. From Commissioner of Excise, C.R. No. 5609-Abk., dated 31st August 1933.]

In paragraph 4 of his Proceedings R. No. 1986-Abk., dated 16th September 1927, the Commissioner of Excise (Mr. P. L. Moore) pointed out that if cashew arrack was manufactured and sold there would be an increase in illicit distillation as it would be extremely difficult to differentiate between the licit and illicit liquor and cases of illicit distillation could not be easily detected. The Commissioner is requested to report how licit cashew arrack is to be distinguished from illicit cashew arrack. An urgent reply is requested.

2. If the Government accept the Commissioner's proposal contained in his reference read above, it is proposed to bring it forward as a Part II Scheme for 1934–35. It cannot therefore be introduced this year. The Commissioner is requested to inform Messrs. Parry & Co. accordingly.

J. A. THORNE,
Secretary to Government.

VII

Reference from the Commissioner of Excise, dated 4th October 1933, C.R. No. 5609-Abk./33.

E. F. THOMAS, Esq., C.I.E., I.C.S.,
Acting First Member, Board of Revenue and Excise Commissioner.

The Commissioner submits that the prescribing of an issue strength for licit arrack should ordinarily be sufficient to make it possible to distinguish licit from illicit liquor. The distillation of cashew arrack is to be carried on in an organized distillery under the management and supervision of technical experts and the liquor so obtained can without any great difficulty be distinguished from liquor distilled under crude methods by illicit distillers. Moreover, the detection of possession and manufacture of illicit arrack is usually under such conditions as to preclude the possibility of illicit distillation arrack of whatever kind being mistaken for licit arrack. The Commissioner would also point out that ordinarily in cases where illicit liquor cannot be identified as such by officers, it has been found possible to distinguish between licit and illicit liquor by a comparative analysis in the Commissioner's laboratory of the suspected liquor with a sample of licit liquor sold in the locality. There will be no special difficulty in adopting this procedure, where necessary, to cases involving cashew arrack.

2. As it is proposed by Government to bring the Commissioner's proposal, if approved, as a Part II Scheme for 1934–35, the expenditure necessary for adopting Chowghat distillery for manufacture of cashew arrack can be incurred only sometime after April 1934. Distillation of cashew arrack cannot therefore be started next season, i.e., March, April and May 1934. It is presumed that the distillation, if sanctioned by Government, has to be started only from March 1935. Messrs. Parry & Co. have been informed accordingly.

The Commissioner regrets the decision of Government as it makes it most unlikely that he will be able to see results of the postponed experiment and as the decision will be somewhat unpopular with the Christian community of South Kanara who are mostly addicted to cashew arrack and who know that the matter has been under the consideration of Government.

E. BRITO,
Secretary.

In his reference read above the Commissioner of Excise stated that an attempt should be made to supply licit cashew arrack in the South Kanara district where a section of the population strongly desire it and suggested an experiment by which licit cashew arrack would be made obtainable at much the same price as the licit molasses arrack now supplied by Messrs. Parry & Co., the object of the experiment being to test whether there is a real demand for cashew arrack in the Mangalore taluk where, it is understood, the demand is greatest and most constant and to test the correctness of the claim that cashew arrack is genuinely required by the public more for its inherent qualities than for its cheapness as an illicitly distilled and therefore untaxed article of consumption. The Commissioner accordingly proposed that Messrs. Parry & Co., who are the contract suppliers of molasses arrack for South Kanara, should be asked to distill as much cashew arrack as they can while the season lasts and supply it for sale in the arrack shops of Mangalore town and taluk through their bonded warehouse at Mangalore and stated that the company agreed to the proposal subject to certain conditions, the more important of them being :—

(1) the cost of equipment and alterations necessary for adapting the Chowghat distillery for the purpose of distilling arrack from cashew fruit, estimated at Rs. 3,200, should be borne by the Government; all other expenses in connexion with the experiment being borne by Messrs. Parry & Co.; and

(2) in the event of the arrack becoming unsaleable for any reason beyond the control of the company the actual cost and expenses of manufacture should be refunded to the company by the Government and the company would, if required, sell all temporary equipment on behalf of the Government for the best prices obtainable.

The proposals of the Commissioner of Excise are approved. The Commissioner is requested to take the necessary steps to ensure that the distillation of the cashew arrack is started in the next season, i.e., March, April and May 1935, and that the experiment is given a trial as proposed by him. The expenditure of Rs. 3,200 will be met from the provision made in the budget estimate for 1934–35 under "6. c. Excise—Distilleries—Transferred."

(By order of the Government, Ministry of Education and Excise)

J. A. THORNL,
Secretary to Government.